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

(Incorporated in the Cayman Islands with limited liability)

Stock code: 3718

GLOBAL OFFERING

Joint Sponsors and Joint Global Coordinators

海通國際 HAITONG

DBS

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

DBS

茂宸證券有限公司 MASON SECURITIES LIMITED

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

SBI China Capital 軟庫中華

IMPORTANT

If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	900,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	90,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	810,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK$0.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.10 per Share
Stock code	:	3718

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, January 8, 2020 or such later date as may be agreed by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, but in any event, not later than Tuesday, January 14, 2020. The Offer Price will be not more than HK$0.80 and is currently expected to be not less than HK$0.69. If, for any reason, the Offer Price is not agreed by Tuesday, January 14, 2020 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$0.80 for each Offer Share, together with a 1.0% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price is lower than HK$0.80 as finally determined.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price Range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.beur.net.cn** not later than the morning of the last day for lodging applications under Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors" in this Prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Hong Kong Public Offering — Grounds for Termination" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

December 30, 2019

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.beur.net.cn**.*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . . 9:00 a.m. on Monday, December 30, 2019

Latest time to complete electronic applications under **HK eIPO White Form** service through one of the below ways[2]

(1) the designated website **www.hkeipo.hk**

(2) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** . . . . . 11:30 a.m. on Wednesday, January 8, 2020

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Wednesday, January 8, 2020

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Wednesday, January 8, 2020

Latest time to give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Wednesday, January 8, 2020

Latest time to complete payment of **HK eIPO White Form** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Wednesday, January 8, 2020

Application lists of the Hong Kong Public Offering close[3] . . . . . 12:00 noon on Wednesday, January 8, 2020

Expected Price Determination Date[5] . . . . . Wednesday, January 8, 2020

Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the websites of the Stock Exchange at **www.hkexnews.hk**[6] and our Company at **www.beur.net.cn**[7] on or before . . . . . . Tuesday, January 14, 2020

Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Stock Exchange at **www.hkexnews.hk**[6] and our Company's website at **www.beur.net.cn**[7] (see paragraph headed "11. Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from . . . . Tuesday, January 14, 2020

Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or at "Allotment Result" function in the **IPO App** with a "search by ID" function from . . . . Tuesday, January 14, 2020

Despatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[8]&[10] . . . . Tuesday, January 14, 2020

Despatch of **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[9]&[10] . . . . Tuesday, January 14, 2020

Dealings in Shares on the Stock Exchange expected to commence at . . . . 9:00 a.m. on Wednesday, January 15, 2020

The application for the Hong Kong Public Offering will commence on Monday, December 30, 2019 through Wednesday, January 8, 2020. Such time period is longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, January 14, 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Wednesday, January 15, 2020.

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** or the **IPO App** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website or the **IPO App** prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2020, the application lists will not open or close on that day. Please refer to the section headed "How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather and/or extreme conditions on the Opening and Closing of the Application Lists" in this Prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus.

(5) The Price Determination Date is expected to be on or around Wednesday, January 8, 2020, and, in any event, not later than Tuesday, January 14, 2020. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Tuesday, January 14, 2020, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board — Results of Allotment" page on the Stock Exchange's website at **www.hkexnews.hk**.

(7) Neither our Company's website nor any of the information contained on our Company's website forms part of this Prospectus.

(8) Share certificates are expected to be issued on Tuesday, January 14, 2020 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, January 15, 2020. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed. In such a case, our Company will make an announcement as soon as possible thereafter.

(9) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(10) Applicants who have applied on **WHITE** Application Forms or through the **HK eIPO White Form** services for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or share certificates in person from our Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020 or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this Prospectus for details. Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to that bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk, to the addresses specified in the relevant applications.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus for details relating to the structure and conditions of the Global Offering and procedures on the applications for Hong Kong Offer Shares, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" of this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are an integrated waste management solution provider in China, currently focusing on providing environmental hygiene services and hazardous waste treatment services. The markets for both services are highly fragmented in China. The environmental hygiene services market comprises two sectors based on the type of service provider, namely the government agency sector, where the service providers are local government agencies, and the enterprise sector, where the service providers consist of enterprises (whether state-owned or non-state owned). In 2018, the market size of the enterprise sector amounted to approximately RMB101.1 billion, representing approximately 38.6% of the total environmental hygiene services market. The enterprise sector comprises state-owned enterprises and non-state owned enterprises, with the majority of which being non-state owned. In 2018, non-state owned enterprises, in aggregate, generated a revenue of approximately RMB78.2 billion, accounting for approximately 77.4% of the enterprise sector. State-owned enterprises, in aggregate, generated a revenue of approximately RMB22.9 billion, accounting for approximately 22.6% of the enterprise sector. According to the F&S Report, we are the fourth largest provider in the enterprise sector of the environmental hygiene services market in China in terms of 2018 revenue, with a market share of 1.6% of the enterprise sector and 0.6% overall. Also according to the F&S Report, we are the third largest provider among non-state owned enterprises in terms of revenue in 2018, accounting for approximately 2.0% of this sub-sector. In the hazardous waste treatment services market, in terms of total designed treatment capacity for waste disposal of projects in operation (including projects in trial operation), we ranked sixth in China at the end of 2018 with a market share of 0.7%; in terms of total actual treatment volume for waste disposal of centralized hazardous waste treatment facilities in operation in 2018, we ranked ninth in China at the end of 2018 with a market share of 0.6%, according to the same source.

Our environmental hygiene services have been expanding rapidly. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we had one, 71, 106 and 112 revenue-generating environmental hygiene service projects, respectively. As of June 30, 2019, environmental hygiene service projects that we operated covered 23 provinces, municipalities and autonomous regions. In addition, 47 of these projects had total contract value exceeding RMB100 million. The environmental hygiene service market in China has experienced significant growth in recent years. We believe that our local knowledge, reputation and connections have positioned us well to benefit from such growth.

As of June 30, 2019, we had five hazardous waste treatment projects in operation and two hazardous waste treatment projects in trial operation. As of December 31, 2018, treatment facilities of our projects that engaged in waste disposal had a total designed treatment capacity of 253,050 tons per annum, ranking sixth in China, according to the F&S Report. Treatment facilities of the other projects that engaged in recycling and reuse had a total designed treatment capacity of 340,000 tons per annum, as of the same date. In addition, among the 46 major categories of hazardous waste under the National Catalog of Hazardous Waste (國家危險廢物名錄), we are able to treat 38 of them. We believe that our in-depth experience and capabilities have distinguished us from our competitors in this market in various aspects.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue from continuing operations amounted to HK$24.6 million, HK$912.4 million, HK$2,211.8 million and HK$1,475.3 million, respectively. Net profit from our continuing operations amounted to HK$19.2 million, HK$64.9 million, HK$213.9 million and HK$154.3 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively.

Our acquisitions and the impact on operating results

We have been growing our business via the combination of organic growth and acquisitions. During 2016 and 2017, we acquired (i) BE Urban Services PRC and its then subsidiaries, which provide environmental hygiene services; (ii) Chongqing Binnan and its then subsidiaries, which provide environmental hygiene services; (iii) Shandong Pingfu, which engages in the hazardous waste treatment business; (iv) Jiangxi Mineral, which engages in other business; and (v) Shaanxi BE Recycling, which engages in other business. In 2018, we acquired Ningxia Ruiyuan, which engages in hazardous waste treatment business. Further details are set out in the section headed "History, Reorganization and Corporate Structure" in this Prospectus.

Our results of operations during the Track Record Period have been significantly affected by our acquisitions, the impact of which is summarized below:

	For the years ended December 31,						Six months ended June 30, 2019	
	2016		2017		2018			
	HK$ millions	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*
a. Revenue								
Companies acquired in								
2016	–	–	229.7	25.2	345.6	15.6	172.1	11.7
2017	–	–	458.0	50.2	959.0	43.4	552.8	37.5
2018	–	–	–	–	170.9	7.7	231.2	15.7
Total	–	–	687.7	75.4	1,475.5	66.7	926.2	62.8
Revenue from continuing operations	24.6	100.0	912.4	100.0	2,211.8	100.0	1,475.3	100.0
b. Gross profit								
Companies acquired in								
2016	–	–	89.0	36.7	187.9	30.1	61.3	15.8
2017	–	–	103.4	42.6	232.2	37.3	110.6	28.5
2018	–	–	–	–	67.0	10.7	59.9	15.4
Total	–	–	192.4	79.2	487.0	78.1	231.8	59.7
Gross profit from continuing operations	9.0	100.0	242.8	100.0	623.3	100.0	388.4	100.0

	For the years ended December 31,						Six months ended June 30, 2019	
	2016		2017		2018			
	HK$ millions	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*	*HK$ millions*	*% of the same from continuing operations*
c. Net profit[(1)]								
Companies acquired in								
2016	–	–	63.9	98.5	129.8	60.7	47.4	30.7
2017	–	–	3.4	5.2	41.3	19.3	26.8	17.4
2018	–	–	–	–	59.5	27.8	35.1	22.7
Total	–	–	67.3	103.7	230.6	107.8	109.3	70.8
Net profit from continuing operations	19.2	100.0	64.9	100.0	213.9	100.0	154.3	100.0

Note:

(1) The above net profit from acquired companies has not taken into account administrative expenses and finance costs incurred at the headquarters of our Group and may therefore exceed the total net profit from continuing operations and not be representative.

As part of our development strategies, we will continue to identify and evaluate potential acquisition targets. As one of the leading industry participants, we are well-positioned to capture the acquisition opportunities that the industry offers. Our targets are normally located in regions which are expected to have sufficient demand for our services, and in the case of hazardous waste treatment, sufficient raw material waste supplies. We particularly focused on targets that can benefit from our management capabilities, reputation, experience and financial resources to improve their operating results.

Our discontinued operations

In February 2016, we acquired Gansu Huayi to expand our waste electrical and electronic equipment treatment business. Gansu Huayi was primarily engaged in waste electrical appliances dismantling and electronic waste disposal. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, Gansu Huayi recorded an actual treatment volume (which is subject to the PRC governmental authorities' further review and approval) of 1,805,958, 2,016,161 and 563,912 pieces, respectively, and generated losses of HK$74.5 million, HK$113.1 million and HK$57.7 million for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, respectively. During the Track Record Period, major customers of Gansu Huayi primarily consisted of metal product enterprises, plastic product enterprises and recycling enterprises. These enterprises purchased dismantled products, including metal scrap and plastics from Gansu Huayi. In June 2018, we disposed of Gansu Huayi to BE Zhongkecheng.

The following table sets forth key items of profit or loss of Gansu Huayi for the period indicated:

	For the years ended December 31,		**For the six months ended June 30,**
	2016	**2017**	**2018**
	(in millions of HK$)		
Revenue	79.9	87.8	12.9
Gross loss	(64.8)	(95.1)	(37.0)
Loss for the year/period	(74.5)	(113.1)	(57.7)

OUR BUSINESS

Our business consists of three segments, namely, environmental hygiene services, hazardous waste treatment business, and others, which represent our waste electrical and electronic equipment treatment business. The table below sets forth a breakdown of our revenue by segment for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of HK$, except percentages)									
Environmental hygiene services	18,512	75.1	662,181	72.6	1,613,425	72.9	728,899	77.0	1,094,849	74.2
Hazardous waste treatment business	6,128	24.9	144,013	15.8	422,209	19.1	132,692	14.0	277,213	18.8
Others	–	–	106,186	11.6	176,198	8.0	85,972	9.1	103,221	7.0
Total	24,640	100.0	912,380	100.0	2,211,832	100.0	947,563	100.0	1,475,283	100.0

- *Environmental hygiene services.* Generally, we utilize existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. Our environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services. The revenue expected to be recognized from our existing environmental hygiene services projects as of the Latest Practicable Date in each of the years ending December 31, 2019, 2020, 2021, 2022, 2023 and onwards are RMB1,839.3 million, RMB1,499.6 million, RMB1,431.7 million, RMB1,335.0 million and RMB7,531.0 million, respectively. For details, see "Business — Environmental Hygiene Service — Our Project Portfolio." For the movement in the number of our environmental hygiene service projects and the corresponding changes in total contract value including revenue recognized in each period during the Track Record Period and up to the Latest Practicable Date, see "Business — Environmental Hygiene Service — Our Project Portfolio."

- *Hazardous waste treatment business.* Under our hazardous waste treatment business, we process and safely dispose of hazardous waste for industrial companies and medical institutions and charge them waste treatment fees. Our business mainly covers collection, transportation, storage and disposal of wastes such as medical waste and industrial solid waste. During the Track Record Period, our hazardous waste treatment business primarily focused on waste disposal through detoxification treatment. In 2018, we extended our business to the recycling and reuse of materials from industrial waste. Generally, the number of our hazardous waste treatment projects tend to grow over the years. For details, see "Business — Hazardous Waste Treatment Business — Our Project Portfolio."

- *Others.* Other business represents waste electrical and electronic equipment treatment business. We sell dismantled products after dismantling waste electrical and electronic equipment and disposing of hazardous waste contained therein.

PROJECT MODELS

During the Track Record Period, we adopted the BTO, ROT, TOT and BOO project models for eight of our service concession arrangement projects.

BTO Project Model

Prior to the commencement of the BTO project, we will enter into concession agreements (the "**BTO Agreements**") with the relevant municipal authorities, pursuant to which the considerations for construction service and operation service to be provided by our Group are stipulated separately in the respective concession agreements. The concession period for our BTO projects usually lasts from 15 to 22 years. After the concession period expires, the project company will transfer the project facilities to the relevant municipal authority without any compensation.

ROT Project Model

Prior to the commencement of the ROT project, we will enter into concession agreements (the "**ROT Agreements**") with the relevant municipal authorities, pursuant to which the considerations for renovation service and operation service to be provided by our Group are not stipulated in the concession agreement. The concession period for our ROT project lasts for approximately 21 years, comprising a renovation period of more than one year and an operation period of 20 years. After the concession period expires, the project company will transfer the project facilities to the relevant municipal authority without any compensation.

TOT Project Model

Prior to commencement of a TOT project, we will enter into a concession agreement, and an asset transfer or lease agreement (collectively, the "**TOT Agreements**") with the relevant municipal authority, pursuant to which we will incorporate a project company which will raise funds as are necessary for the completion of the TOT project (including equity and debt financing), and purchase existing project assets from the municipal authority in accordance with the TOT Agreements. Our project company will then proceed to (a) take over the project assets which are transferred from the municipal authority to our project company in accordance with the project asset transfer list in the TOT Agreements; and (b) carry out performance tests as are necessary on the existing project assets.

BOO Project Model

Prior to the commencement of the BOO project, we will enter into a concession agreement (the "**BOO Agreement**") with the relevant municipal authorities, pursuant to which our Group builds, owns and operates its facilities and assets with no obligation to transfer its ownership of the relevant facilities and assets to any specified parties at any time. The concession period for our BOO project lasts for 30 years.

Regardless of whether they are under the BTO, ROT, TOT or BOO model, most of our projects have the following characteristics:

- We receive payments from customers in the business operation stage of each project, typically for 15 to 30 years.

- Through the payment received from customers, we recoup construction costs and acquisition costs, cover our operational cost and earn profits.

- Under these business models, we incur significant cash outflows in the early years of a project, and are exposed to operational risk and the credit risk of our customers until the end of the service period as stipulated in the contract. Accordingly, the initial cash outflow for each project will exceed cash inflow resulting from the mismatch between cash spent for the acquisition of the project and cash generated during the operation phase. See "Risk Factors — We require substantial funding for our BTO, ROT, TOT and BOO projects. Any failure to obtain adequate funding or refinance our existing debt at reasonable rates, or at all, could adversely affect our business, financial condition and results of operations and could prevent us from fulfilling our financial obligations and business objectives" for details.

PRICING POLICY

For environmental hygiene service projects, the service fees are typically determined based on the coverage area of projects. We may receive additional service fees for contingent services we provide. In addition, we may apply to adjust the service fees in certain circumstances as specified in the concession agreements.

For hazardous waste treatment business, our waste treatment fees are determined based on the type and volume of hazardous waste we treat. Waste treatment fees may also vary significantly according to the types of hazardous waste based on the hazardous characteristics, the difficulty of the treatment process, the volume of disposal required, and the guidance price for the applicable category of waste set by the local government. In addition, the agreements typically allow us to adjust waste treatment fees through negotiation with our customers under certain circumstances.

CUSTOMERS

Our customers for environmental hygiene services are primarily local government agencies in the PRC or their designees. As we started to offer property management services along with our environmental hygiene services since 2019, our customers for environmental hygiene services also include enterprises in 2019. Our customers for the hazardous waste treatment business are mainly industrial companies and medical institutions, which provide their hazardous waste to us for our treatment. Our customers for waste electrical and electronic equipment treatment business include downstream waste recycling enterprises and metal and plastic product enterprises. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our five largest customers accounted for approximately 84.7%, 21.6%, 13.9% and 15.6% of our total revenue, respectively. During the same periods, our largest customer accounted for approximately 75.1%, 5.2%, 3.6% and 5.3% of our total revenue, respectively. We had only one revenue-generating environmental hygiene service project, namely Guigang City Environmental Hygiene Service Project as of December 31, 2016. Our customer of this project, namely the local government agency in Guangxi, was our largest customer in 2016, contributing approximately 75.1% of our total revenue in the same year. The contribution to our revenue from the local government agency in Guangxi decreased along with the increase in the numbers of our projects during the Track Record Period. As of June 30, 2019, we had 112 revenue-generating environmental hygiene service projects, of which 54 were in operation and were referred by BEWG. In addition to those 54 projects, there were four projects referred by BEWG but not in operation. Among these 58 projects, 30 projects were novated to us, namely, where we or our subsidiaries became parties to the relevant contracts, BEWG has undertaken that it will not take any action which may result in our Group ceasing to be the exclusive provider of the non-novated projects. For details, see "Business — Environmental Hygiene Service — Our Project Portfolio." Due to the growth in our environment hygiene services business, our Directors are of the view that our Group will not continue to have projects referred by BEWG after listing.

SUPPLIERS

We procure different types of goods and services from suppliers for our different business segments. Typical goods we procure for environmental hygiene services include fuel used for mechanized cleaning vehicles and other consumables used in our business operation. We mainly procure materials and consumables used in our hazardous waste treatment business from chemical companies. We mainly procure waste electrical and electronic appliances from individuals who collect waste electrical and electronic appliances and waste electrical and electronic appliance recycling stations.

As we extended our hazardous waste treatment business to recycling and reuse of materials from industrial waste in 2018, we also started to procure waste methanol and mixed alcohol from chemical companies which was used in our recycling and reuse services since 2018. In addition, during the Track Record Period, we procured certain ancillary services in relation to our hazardous waste treatment business. For details, see "Business — Our Suppliers."

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our five largest suppliers accounted for approximately 11.1%, 11.0%, 9.6% and 5.7% of our total cost of sales, respectively. During the same periods, our largest supplier accounted for approximately 8.8%, 3.3%, 5.9% and 3.8% of our total cost of sales, respectively.

OUR INDUSTRY

According to the F&S Report, the market share of environmental hygiene service market for enterprises in China increased from 11.6% in 2014 to 38.6% in 2018, and is expected to further increase to 71.0% in 2023. In terms of revenue, the market size of environmental hygiene services for enterprises in China witnessed significant growth from 2014 to 2018. The market increased from RMB16.1 billion in 2014 to RMB101.1 billion in 2018 at a CAGR of 58.3%, and is expected to increase at a CAGR of 29.4% from 2018 to 2023, reaching RMB366.8 billion in 2023. In our hazardous waste treatment business, hazardous waste output in China increased from 36.3 million tons in 2014 to 79.8 million tons in 2018 at a CAGR of 21.8%, and is expected to further increase to 150.7 million tons in 2023 at a CAGR of 13.6% from 2018.

COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from our competitors and will drive our future growth.

- an uniquely-positioned waste management solution provider with complementary and synergistic businesses;
- our leadership in the fast-growing environmental hygiene services;
- our in-depth experience and capabilities in hazardous waste treatment business well-positioned to benefit from favorable industry trends;
- shareholder support from industry pioneers and leaders with nationwide reputation; and
- our experienced and professional management team.

BUSINESS STRATEGY

We intend to implement a business strategy with the following components.

- strengthen leading market position in environmental hygiene services;
- continue to invest in and expand hazardous waste treatment business; and
- complement our growth through acquisitions.

SUMMARY FINANCIAL INFORMATION

The summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our audited consolidated financial statements, including the accompanying notes, set forth in the Accountants' Reports set out in Appendix IA to this Prospectus, as well as the information set forth in "Financial Information" of this Prospectus. Our financial information was prepared in accordance with HKFRSs.

Summary Financial Data of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of HK$, except percentages)									
CONTINUING OPERATIONS										
Revenue	24,640	100.0	912,380	100.0	2,211,832	100.0	947,563	100.0	1,475,283	100.0
Cost of sales	(15,626)	(63.4)	(669,582)	(73.4)	(1,588,563)	(71.8)	(683,730)	(72.2)	(1,086,866)	(73.7)
GROSS PROFIT	9,014	36.6	242,798	26.6	623,269	28.2	263,833	27.8	388,417	26.3
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	19,125	77.6	79,833	8.7	259,370	11.7	108,839	11.5	203,152	13.8
Income tax credit/(expense)	35	0.1	(14,956)	(1.6)	(45,472)	(2.1)	(30,611)	(3.2)	(48,806)	(3.3)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	19,160	77.8	64,877	7.1	213,898	9.7	78,228	8.3	154,346	10.5
DISCONTINUED OPERATION										
Profit/(loss) for the year/period from a discontinued operation	(74,548)	(302.5)	(113,127)	(12.4)	258,043	11.7	258,043	27.2	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(55,388)	(224.8)	(48,250)	(5.3)	471,941	21.3	336,271	35.5	154,346	10.5

Our total revenue from continuing operations increased significantly from HK$24.6 million in 2016 to HK$912.4 million in 2017, primarily reflecting an increase in the revenue from our environmental hygiene services as a result of acquisitions in 2017. We had only one revenue-generating environmental hygiene service project as of December 31, 2016. As of December 31, 2017, we had 71 environmental hygiene service projects. The increase in our total revenue from continuing operations also resulted from an increase in the revenue from our hazardous waste treatment business. We had only one hazardous waste treatment project in operation as of December 31, 2016. In December 2016, we acquired Shandong Pingfu, which operates Shandong Industrial Solid Waste Disposal Center Project, a hazardous waste treatment project that commenced operations in January 2017. The treatment volume of our hazardous waste treatment business increased from 1,802 tons in 2016 to 46,373 tons in 2017. During the same period, our gross profit for continuing operations increased significantly from HK$9.0 million to HK$242.8 million. Our gross profit margin was 36.6% and 26.6% in 2016 and 2017, respectively. In 2016, as we were in the early stage of developing our business, our gross profit margins for environmental hygiene services and hazardous waste treatment business were not representative of our gross profit margins for these business segments.

Our total revenue from continuing operations increased significantly from HK$912.4 million in 2017 to HK$2,211.8 million in 2018, primarily reflecting an increase in the revenue from our environmental hygiene services due to a combination of (i) more revenue from projects we acquired in 2017 after they started contributing their full-year revenue in 2018 and (ii) new environmental hygiene service projects we won through public tenders in 2018. As of December 31, 2018, we had 106 revenue-generating environmental hygiene service projects, as compared to 71 projects as of December 31, 2017. The average contracted area of our environmental hygiene services increased significantly by 138.8% from 51.4 million sq. m. as of December 31, 2017 to 122.9 million sq. m. as of December 31, 2018 while the average revenue from environmental hygiene services increased moderately by 9.7% from HK$11.0 per sq. m. for the year ended December 31, 2017 to HK$12.1 per sq. m. for the year ended December 31, 2018. The increase in our total revenue from continuing operations also resulted from an increase in the revenue from our hazardous waste treatment business, which was primarily because we acquired Ningxia Ruiyuan, which operates Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project, in March 2018. The treatment volume of our hazardous waste treatment business increased from 46,373 tons in 2017 to 128,034 tons in 2018 while the average unit price increased by 6.2% from HK$3,105.5 per ton in 2017 to HK$3,297.6 per ton in 2018. During the same period, our gross profit for continuing operations increased from HK$242.8 million to HK$623.3 million and our gross profit margin increased from 26.6% to 28.2%.

Our total revenue from continuing operations increased from HK$947.6 million for the six months ended June 30, 2018 to HK$1,475.3 million for the six months ended June 30, 2019, primarily reflecting revenue increases from our environmental hygiene services and hazardous waste treatment business due to a combination of (i) we operated more environmental hygiene service projects in the first half of 2019 than that we operated in the first half of 2018. The average contracted area of our environmental hygiene services increased from 112.4 million sq. m. as of June 30, 2018 to 152.0 million sq. m. as of June 30, 2019 while the average revenue from environmental hygiene services increased moderately from HK$5.9 per sq. m. for the six months ended June 30, 2018 to HK$6.3 per sq. m. for the six months ended June 30, 2019; and (ii) a significant increase in the treatment volume of projects for our hazardous waste treatment business. In particular, the actual treatment volume of Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project increased from 16,527 tons for the six months ended June 30, 2018 to 65,686 tons for the six months ended June 30, 2019 and the actual treatment volume of Shandong Industrial Solid Waste Disposal Center Project increased from 15,483 tons for the six months ended June 30, 2018 to 29,395 tons for the six months ended June 30, 2019. During the same period, our gross profit from continuing operations increased from HK$263.8 million to HK$388.4 million.

We have entered into three operating concession arrangements with certain governmental authorities, as the grantors, in Mainland China on a TOT basis in respect of its environmental hygiene services under HK(IFRIC)-Int 12 *Service Concession Arrangements*. An intangible asset (concession right) is recognized to the extent that we receive a right to charge users of the public service. The intangible asset (concession right) is stated at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided on a straight-line basis over the operation phase of the concession periods. Revenue relating to the provision of environmental hygiene services is accounted for in accordance with the policy for revenue recognition set forth in the Accountants' Reports set out in Appendix IA to this Prospectus. We are obliged to hand over the fixed assets to the grantors at the end of the operating concession periods.

The following table sets forth our gross profit breakdown and gross profit margin by business segment for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in thousands of HK$, except percentages)									
Environmental hygiene services	6,720	36.3%	148,126	22.4%	346,409	21.5%	169,147	23.3%	237,125	21.7%
Hazardous waste treatment business	2,294	37.4%	77,535	53.7%	228,833	54.2%	71,727	54.1%(1)	121,923	44.0%(1)
Others	–	–	17,137	16.1%	48,027	27.3%	22,959	26.7%	29,369	28.5%
Total	9,014	36.6%	242,798	26.6%	623,269	28.2%	263,833	27.8%	388,417	26.3%

Note:

(1) The gross profit margin for our hazardous waste treatment business decreased from 54.1% for the six months ended June 30, 2018 to 44.0% for the six months ended June 30, 2019, primarily because Ningxia Ruiyuan, which contributed to the majority of the revenue increase from hazardous waste treatment business, recorded a comparatively lower gross profit margin than our other subsidiaries engaging in hazardous waste treatment business because the selling price of Ningxia Ruiyuan's products dropped during the period due to changes in market conditions. For details, see "Financial Information — Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Revenue."

Our accumulated loss as of January 1, 2016 amounted to HK$104.6 million, and resulted primarily from the impairment in goodwill arising from the acquisition of Gansu Huayi as explained below. In February 2016, we acquired Gansu Huayi from BE Zhongkecheng, who had acquired Gansu Huayi from an Independent Third Party in February 2015. As both our Group and BE Zhongkecheng (being a wholly-owned subsidiary of BEWG) were under the common control of BEWG, our acquisition of Gansu Huayi and the subsequent impairment in goodwill were accounted for by way of merger accounting and as if occurred in 2015. While our continuing operations have been profit-making during the Track Record Period, such profit were offset by the net loss of HK$74.5 million and HK$113.1 million from Gansu Huayi in 2016 and 2017, respectively, resulting in (i) our consolidated net loss of HK$55.4 million and HK$48.3 million, respectively, in the respective years; and (ii) accumulated losses of HK$135.8 million and HK$174.7 million, respectively, as of December 31, 2016 and 2017. For the year ended December 31, 2018, we generated a net profit of HK$471.9 million, including (i) a net loss of HK$57.7 million from Gansu Huayi; and (ii) a gain of HK$315.7 million arising from disposal of our interests in Gansu Huayi in June 2018. See "History, Reorganization and Corporate Structure — Reorganization — Disposal of non-core Business — Disposal of Gansu Huayi" and "Financial Information — Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Discontinued Operation" of this Prospectus. As a result, we recorded retained profits of HK$211.7 million as of December 31, 2018.

Summary Financial Data from Consolidated Statement of Financial Position

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Non-current assets	923,069	1,629,185	2,550,870	2,564,876
Current assets	579,696	1,465,325	2,351,552	2,273,949
Current liabilities	473,370	1,438,816	1,452,759	1,610,643
Net current assets	106,326	26,509	898,793	663,306
Non-current liabilities	131,947	554,253	1,305,153	1,030,199
Total equity	897,448	1,101,441	2,144,510	2,197,983

Summary Financial Data from Consolidated Statements of Cash Flows

	For the years ended December 31,			For the six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Operating cash flows before movements in working capital	(44,663)	62,549	436,877	350,374
Net cash flows from/(used in) operating activities	(197,362)	(25,771)	(51,444)	201,273
Net cash flows from/(used in) investing activities	(225,246)	(33,701)	(756,681)	24,007
Net cash flows from/(used in) financing activities	807,765	254,694	859,781	(80,104)
Net increase in cash and cash equivalents	385,157	195,222	51,656	145,176
Cash and cash equivalents at the beginning of year	7,933	405,306	631,114	677,249
Effect of foreign exchange rate changes, net	12,216	30,586	(5,521)	6,124
Cash and cash equivalents at the end of year/period	405,306	631,114	677,249	828,549

Our net cash flows used in operating activities in the three years ended December 31, 2018 during the Track Record Period was primarily due to the longer time we took to collect trade receivables from our customers for environmental hygiene services, which are primarily local government agencies in the PRC. This was consistent with the rise in trade receivables aged over three months as a percentage of total trade receivables (December 31, 2016: 0.3%; December 31, 2017: 25.9%; December 31, 2018: 26.8%). Nevertheless, our Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of our trade receivables as there has not been a significant change in credit quality and the balances were considered fully recoverable.

For the six months ended June 30, 2019, we recorded net cash flows generated from operating activities of approximately HK$201.3 million. Improvement in our cash flow from operations throughout the Track Record Period was consistent with the increase in profit from continuing operations.

KEY FINANCIAL RATIOS

	As of/For the years ended December 31,			As of/ For the six months ended June 30,
	2016	2017	2018	2019
	(%)			
Return on average equity(1)	4.4	5.6	13.0	15.0(7)
Return on average assets(2)	2.2	2.8	5.3	6.3(7)
Current ratio(3)	122.5	101.8	161.9	141.2
Gearing ratio(4)	23.3	68.7	68.4	66.3
Gross profit margin(5)	36.6	26.6	28.2	26.3
Net profit margin from continuing operations(6)	77.8	7.1	9.7	10.5

Notes:

(1) Return on average equity equals profit for the year/period from continuing operations attributable to owners of the parent divided by average balance of total equity attributable to owners of the parent at the beginning and the end of that year/period and multiplied by 100%.

(2) Return on average assets equals profit for the year/period from continuing operations divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities as of the end of that year/period and multiplied by 100%.

(4) Gearing ratio equals interest-bearing bank and other borrowings plus lease liabilities divided by total equity as of the end of that year/period and multiplied by 100%.

(5) Gross profit margin equals gross profit for the year/period from continuing operations divided by revenue from continuing operations.

(6) Net profit margin from continuing operations equals profit for the year/period from continuing operations divided by revenue from continuing operations.

(7) Half year ratios are annualized.

For details, see "Financial Information — Key Financial Ratios."

SERVICE CONCESSION ARRANGEMENTS

We have entered into operating concession arrangements with certain PRC governmental authorities (as grantors) on Build-Transfer-Operate ("**BTO**") and Transfer-Operate-Transfer ("**TOT**") models in respect of our environmental hygiene services and Renovate-Operate-Transfer ("**ROT**") model for one hazardous waste treatment project under construction under HK(IFRIC)-Int 12. A service concession arrangement is an arrangement whereby a government or other public sector body (the "**Government Grantor**"), contracts with a private operator to develop (or upgrade), operate and maintain infrastructure assets. The Government Grantor and the operator enter into concession agreement(s) which regulate the scope and price of services that the operator provides by utilizing the assets, and also sets out the treatment of any significant residual interests in the assets at the end of the term of the arrangement.

Accounting Treatment of Service Concession Arrangements

The accounting treatment of service concession arrangements varies with the type of project, involves judgment, and affects the presentation of our results of operation. Several key aspects of this accounting treatment are summarized below. For More information about service concession arrangements and our projects, see "Business — Our Projects." For more information about the accounting treatment of service concession arrangements, see "Financial Information — Significant factors affecting our results of operations — Impact of the accounting treatment for service concession arrangements" and "Financial Information — Significant Accounting Policies and Significant Accounting Estimates — Service concession arrangements."

For BTO projects, the considerations for construction service and operation service to be provided by our Group are stipulated separately in the respective concession agreements. We recognize revenue from construction service based on (i) the consideration as stipulated in the respective concession agreements; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. The construction revenue will be settled by the grantor based on an agreed repayment schedule and the unsettled construction revenue is included in "contract assets" on our statement of financial position.

For ROT project, the considerations for construction service and operation service to be provided by our Group are not stipulated separately in the concession agreement. We recognize revenue from construction service based on (i) the estimated fair value of our construction services; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. We treat construction revenue as an intangible asset, which is recorded as "intangible asset" on our statement of financial position because the revenue stream is not guaranteed.

The ROT project has not started construction as of June 30, 2019 and no cost has been incurred during the Track Record Period.

For TOT projects, the consideration we pay to the grantor to obtain the right to operate the service concession is recorded as intangible assets, in the case of concessions without a guaranteed revenue stream.

For BOO project, our Group completes the project construction in accordance with the BOO agreement and the laws and regulations of the relevant municipal authority. We capitalize the construction costs as property, plant and equipment which is stated at cost less accumulated depreciation and any accumulated impairment loss.

The following table sets forth our number of projects recognized under operating concession arrangements for the years or periods indicated:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
Number of projects				
a. Environmental hygiene services				
• *Within the scope of IFRIC 12*				
– BTO	–	2	2	3
– TOT (Note 1)	2	3	3	3
• *Outside the scope of IFRIC 12*				
– O&M	1	67	101	106
Total (Note 1)	3	72	106	112
b. Hazardous waste treatment				
Under service concession arrangements				
• *Within the scope of IFRIC 12*				
– ROT (Note 2)	–	–	1	1
• *Outside the scope of IFRIC 12*				
– BOO	1	1	1	1
– O&M	–	1	2	1
Self-owned and operated	–	1	6 (Note 3)	3 (Note 4)
Total (Note 2)	1	3	10	6

Notes:

1. Included two and one projects did not generate revenue in 2016 and 2017, respectively.

2. Included one and one project did not commence operation in 2018 and 2019, respectively.

3. Included Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目), Jiaxing Waste Disposal Project (嘉興廢物處理項目) and Beijing Yingtaike Environmental Construction Technology Co., Ltd., which were acquired in late December 2018 and recorded no revenue in 2018.

4. Excluded Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目) and Jiaxing Waste Disposal Project (嘉興廢物處理項目) terminated in May 2019 and Beijing Yingtaike Environmental Construction Technology Co., Ltd. disposed of in June 2019.

The following roll forward table sets forth the movements in the balances during the Track Record Period.

	Intangible assets	**Contract assets**
	HK$'000	*HK$'000*
At January 1, and December 31, 2016		
Acquisition of subsidiaries	68,380	–
Addition	–	47,424
Amortization	(3,456)	–
Exchange realignment	3,883	1,683
At December 31, 2017	68,807	49,107
Acquisition of a subsidiary	–	25,405
Amortization	(5,312)	–
Addition	–	1,755
Exchange realignment	(2,973)	(2,321)
At December 31, 2018	60,522	73,946
Additions*	67,767	–
Amortization	(2,594)	–
Transfer out**	–	(26,135)
Exchange realignment	(195)	(154)
At June 30, 2019	125,500	47,657

Notes:

* Additions to intangible assets associated with operating concessions represent consideration paid for acquiring TOT projects.

** A contract asset was transferred to long term trade receivables upon the completion of the construction.

We assess at each reporting date whether intangible assets may be impaired, or when annual impairment testing for an asset is required. For more information, please refer to "Financial Information — Significant Accounting Policies and Significant Accounting Estimates — Impairment of non-financial assets."

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period up to the Latest Practicable Date, we won ten environmental hygiene service projects through public tender with a total contract value of RMB550.3 million and a total contract area of 20,094,748.97 sq.m.. The concession period of these environmental hygiene service projects ranged from one year to 18 years.

As of the Latest Practicable Date, our hazardous waste treatment business had six projects in operation and one project in trial operation, with total designed treatment capacity amounting to 344,050 tons and 50,000 tons per annum, respectively. In August 2019, we entered into an agreement with Chongqing Binnan and its minority shareholder. We have disposed of our 51% equity interest in Chongqing Binnan to its minority shareholder (or his nominees) on October 21, 2019. For details, see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries." Upon completion of the disposal, we have ceased to operate Chongqing Binnan's environmental hygiene service projects. Our Directors are of the view that our disposal of Chongqing Binnan does not have a material adverse effect on our business, financial condition or operational results on the basis that (i) after such disposal, we will continue to operate our other environmental hygiene service projects that do not relate to Chongqing Binnan; (ii) Chongqing Binnan recorded a loss of HK$0.7 million and HK$12.3 million for the year ended December 31, 2018 and the six months ended June 30, 2019, respectively; and (iii) upon completion of such disposal, we can focus our resources on other environmental hygiene service projects and hazardous waste treatment projects with higher gross profit margin as Chongqing Binnan recorded a comparatively lower gross profit margin during the Track Record Period.

After performing all the due diligence work which our Directors consider sufficient and due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial, operational or trading positions or prospects since June 30, 2019, and there is no event since June 30, 2019 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix IA.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (a) risks relating to our business and industry; (b) risks relating to doing business in the PRC; and (c) risks relating to the Global Offering. The most significant risks are summarized as follows: (i) our historical results of operations may not be indicative of our future performance due to our rapid growth; (ii) we may not be able to identify and secure new projects on commercially acceptable terms, or at all; (iii) our business growth will be affected by our ability to integrate acquired businesses into our existing operations; (iv) our managerial, operational and financial resources may be strained due to our rapid growth; (v) the development of the sectors we operate in is highly dependent on the PRC government's environmental protection policies, which may change from time to time; and (vi) we may not be able to implement our acquisition strategy successfully, and we may need to impair the goodwill in connection with our acquired business.

NON-COMPLIANCE

Before our acquisition of Chongqing Binnan in July 2017, Chongqing Binnan was penalized in four different projects for failure to comply with the PRC Government Procurement Law in its bidding process. In January 2019, in its bidding material submitted to Jiulongpo Finance Bureau, Chongqing Binnan falsely stated that there was no material non-compliance in its business operations during the past three years before the bidding. As a result, Jiulongpo Finance Bureau issued a notice of administrative penalty decisions in March 2019. Jiulongpo Finance Bureau included Chongqing Binnan in its list of entities with previous misconducts and prohibited it from participating in government procurement activities within two years. As advised by our PRC Legal Advisors, (i) the validity of the outstanding environmental hygiene service agreements entered into before Jiulongpo Finance Bureau issued the notice of administrative penalty decisions is not affected by such notice; (ii) the notice of administrative penalty decisions issued by Jiulongpo Finance Bureau applies to Chongqing Binnan only, and does not prohibit the subsidiaries of Chongqing Binnan and our other subsidiaries from bidding; and (iii) as Chongqing Binnan has paid relevant penalties, the possibility that it will be subject to further administrative penalties for the same non-compliance incident is relatively remote. As of the Latest Practicable Date, we had disposed of our 51% equity interest in Chongqing Binnan and ceased to operate Chongqing Binnan's environmental hygiene service projects. In addition, during the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. As of the Latest Practicable Date, we also had not registered the leases for all of our 82 leased buildings.

These non-compliance incidents have not resulted, and are not expected to result in any material adverse effect on our business and results of operations. For details, see "Business — Non-compliance."

Our Directors believe that these non-compliance incidents would not have a material and adverse effect on our business and results of operations. Except for the non-compliance incidents disclosed above, we are advised by our PRC Legal Advisors that, during the Track Record Period and as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material aspects. For details, see "Business — Non-compliance."

RELATIONSHIP WITH SUBSTANTIAL SHAREHOLDERS

Prior to the capital increase in Mind Light in December 2016, Mind Light was an indirect wholly-owned subsidiary of BEWG. As a result of the Pre-IPO Investments and capital increase, BEWG's interest in Mind Light and in turn in our Company was diluted down to 35%. A number of the companies comprising our Group was acquired from BEWG.

Immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option), BEWG and Genius Link will directly hold 26.25% and 24.75% of our then total issued share capital, respectively. Accordingly, neither of them will be our controlling shareholders as defined under the Listing Rules upon the Listing.

BEWG and its close associates (excluding our Group) are engaged in certain environmental hygiene services, hazardous waste treatment services and waste electrical and electronic equipment business that are similar to our business. To avoid any potential competition going forward, BEWG has undertaken, subject to compliance with the Listing Rules, to transfer its respective equity interests in Guangxi Pingnan BE and Kunming Wuhua BE to our Group once certain conditions are met. BEWG further confirms that it has no current intention to carry on any other environmental hygiene services, hazardous waste treatment services or waste electrical and electronic equipment treatment business that are similar to our business. We have also adopted certain measures which we believe could maintain a fair competition between both BEWG and our Group. See "Relationship with Substantial Shareholders" in this Prospectus for details.

We have entered into certain agreements with our connected persons which will constitute continuing connected transactions under Chapter 14A of the Listing Rules upon Listing. See "Connected Transactions" in this Prospectus for more details.

PRE-IPO INVESTMENT

On December 7 and December 29, 2016, AID, Benefit Sharp (as nominee for Shanghai Ziyue), HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Maolin, Star Colour and Zhihua subscribed for a total of 58,500 shares of Mind Light at an aggregate consideration of HK$616.0 million in two tranches. On November 20, 2018, Maolin, Star Colour, Zhihua, Genius Link and Glowing Trend subscribed for a total of 29,250 shares of Mind Light at an aggregate consideration of HK$292.5 million. On March 26, 2019, our Company acquired all the issued shares of Mind Light from its shareholders. In consideration of the acquisition, the 13,500,000,000 Shares held by each of BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua were all credited as fully paid on March 26, 2019. See "History, Reorganization and Corporate Structure" in this Prospectus for more details.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Global Offering is completed, 900,000,000 Shares are issued in the Global Offering and the Over-allotment Option is not exercised.

	Based on an Offer Price of HK$0.69 per Share	Based on an Offer Price of HK$0.80 per Share
Market capitalization of our Shares	HK$2,484,000,000	HK$2,880,000,000
Unaudited pro forma adjusted consolidated net tangible asset value attributable to the owners of the parent per Share[(1)]	HK$0.52	HK$0.54

Note:

(1) For more details, see "Appendix II — Unaudited Pro Forma Financial Information."

LISTING EXPENSES

Based on the approximate mid-point Offer Price of HK$0.75 and assuming that Over-allotment Option is not exercised, the total estimated listing related expenses payable by us in relation to the Global Offering is expected to be approximately HK$82.2 million or approximately HK$58.6 million after excluding underwriting commission of approximately HK$23.6 million. During the Track Record Period, we recognized and charged to our consolidated statements of profit or loss HK$10.2 million, HK$9.8 million and HK$9.6 million of such expenses for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively. We estimate that listing expenses of HK$24.5 million will be charged to our consolidated statements of profit or loss for the years ending December 31, 2019 and 2020, and HK$37.7 million will be charged to equity upon completion of Listing. These listing expenses mainly comprise professional fees paid and payable to the Joint Sponsors, Joint Bookrunners, the Underwriters, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the approximate Global Offering.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised), will be approximately HK$592.8 million, assuming an Offer Price of HK$0.75 per Offer Share, being the approximate mid-point of the proposed Offer Price Range.

We expect to continue to (i) expand our project portfolio for environmental hygiene services and waste treatment business; (ii) improve our capital structure; (iii) improve corporate governance; and (iv) repay our bank borrowings through the Global Offering. In connection with these goals, we intend to apply these net proceeds for the following purposes: (i) approximately 51.6% of our total estimated net proceeds, or HK$305.7 million, will be used for development of our certain hazardous waste treatment projects; (ii) approximately 16.5% of our total estimated net proceeds, or HK$97.9 million, will be used for purchasing motor vehicles, such as garbage trucks and other sanitation vehicles, for the environmental hygiene projects that we expect to obtain in 2020 and 2021; (iii) approximately 25.3% of our total estimated net proceeds, or HK$150.0 million, will be used for repayment of an existing bank borrowing; and (iv) approximately 6.6% of our total estimated net proceeds, or HK$39.2 million, will be used for working capital and general corporate purposes. For more details, see "Future Plans and Use of Proceeds — Use of Proceeds."

DIVIDENDS

During the Track Record Period, we did not pay any dividend. PRC laws require that dividends be paid only out of distributable profits, which are the net profit of our PRC subsidiaries as determined in accordance with the PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. As the PRC GAAP are in all material aspects identical to HKFRS, the differences between our distributable profits recorded under the PRC GAAP and HKFRS are immaterial.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law. We have no pre-determined dividend pay-out ratio after the Listing. For more details, see "Financial Information — Dividends."

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AID" or "Genius Link"	Genius Link Utilities L.P., an exempted partnership registered in the Cayman Islands on May 20, 2015 which changed its name from AID Utilities L.P. on May 15, 2018 and is managed by Genius Link Utilities GP Limited, which is ultimately wholly-owned by Mr. Chang Tat Joel, one of our substantial shareholders
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) or **GREEN** Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on December 19, 2019 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix III — Summary of the Constitution of our Company and Cayman Islands Company Law" in this Prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"BE Baoding Dingxing"	Beijing Enterprises Urban Services (Baoding Dingxing) Limited (北控城市服務(保定定興)有限公司), a company established under the laws of the PRC with limited liability on March 10, 2016 and which became our wholly-owned subsidiary on December 5, 2016
"BE Urban Resources PRC"	Beijing Enterprises Urban Environmental Resources (PRC) Limited (北控城市環保資源投資(中國)有限公司), a company established under the laws of the PRC with limited liability on January 22, 2016 and indirectly wholly-owned by our Company

"BE Urban Services BVI"	Beijing Enterprises Urban Services Group Limited (北控城市服務集團有限公司), a company incorporated in the BVI with limited liability on July 8, 2015 and indirectly wholly-owned by our Company
"BE Urban Services HK"	Beijing Enterprises Urban Services (Hong Kong) Limited (北控城市服務(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 16, 2015 and indirectly wholly-owned by our Company
"BE Urban Services PRC"	Beijing Enterprises Urban Services Group Limited (北控城市環境服務集團有限公司) (formerly known as Beijing Enterprises Urban Services Investment (PRC) Group Co., Ltd. (北控城市服務投資(中國)集團有限公司)), a company established under the laws of the PRC with limited liability on July 27, 2015 and which became our wholly-owned subsidiary on April 28, 2017
"BE Water Guangxi"	Beijing Enterprises Water (Guangxi) Group Limited (北控水務(廣西)集團有限公司), a company established under the laws of the PRC with limited liability on November 21, 2008 and indirectly wholly-owned by BEWG
"BE Water Investment"	Beijing Enterprises Water (PRC) Investment Limited (北控水務(中國)投資有限公司), a company established under the laws of the PRC with limited liability on July 20, 2009 and wholly-owned by BEWG
"BE Zhongkecheng Environmental"	Beijing Enterprises Zhongkecheng Environmental Protection Group Limited (北控中科成環保集團有限公司), a company established under the laws of the PRC with limited liability on May 17, 2001 and indirectly wholly-owned by BEWG
"BE Zhongkecheng Investment"	Beijing Enterprises Zhongkecheng (Ningbo) Investment Management Limited (北控中科成(寧波)投資管理有限公司), a company established under the laws of the PRC with limited liability on February 2, 2016 and indirectly wholly-owned by BEWG
"BEHL"	Beijing Enterprises Holdings Limited (北京控股有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 392)

"Beijing BE Environment"	Beijing Enterprises Urban City (Beijing) Environmental Technology Limited (北控城市(北京)環境科技有限公司), a company established under the laws of the PRC with limited liability on March 28, 2017 and indirectly wholly-owned by our Company
"Benefit Sharp"	Benefit Sharp Investment Limited, a company incorporated in the BVI with limited liability on October 31, 2016 and previously the nominee of Shanghai Ziyue to hold the shares of Mind Light until May 11, 2018
"BEWG"	Beijing Enterprises Water Group Limited (北控水務集團有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 371)
"Board"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China and for the purposes of this Prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau Special Administrative Region and Taiwan
"Chongqing Binnan"	Beijing Enterprises Binnan (Chongqing) Urban Services Company Limited (北控濱南(重慶)城市綜合服務股份有限公司), a company established under the laws of the PRC with limited liability on August 16, 2008, which was no longer our subsidiary upon the completion of our divestment
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on March 26, 2019
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, means the controlling shareholders of our Company as at the date of this Prospectus, namely, BEWG, Genius Link, Genius Link Utilities GP Limited, Brilliant Champ Investments Limited and Mr. Chang Tat Joel, all of which will no longer be our controlling shareholders immediately after the Listing
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of our Company

"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"extreme conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"F&S Report"	the independent industry report prepared by Frost & Sullivan
"Gansu Huayi"	Gansu Huayi Environmental Technical Services Limited (甘肅華壹環保技術服務有限公司), a company established under the laws of the PRC with limited liability on August 8, 2008 and indirectly owned as to 62.0% by BE Zhongkecheng Environmental
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Glowing Trend"	Glowing Trend Investments Limited, a company incorporated in the BVI with limited liability on January 2, 2018 and wholly-owned by Zhang Yao (張垚), an Independent Third Party
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"Group", "our Group", "we", "us", or "our"	our Company and its subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

"Guigang Medical Waste"	Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited (廣西貴港北控水務醫療廢物處理有限公司), a company established under the laws of the PRC with limited liability on July 4, 2014 and became our wholly-owned subsidiary on June 28, 2016
"Guigang Sanitation"	Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited (廣西貴港北控水務環衛服務有限公司), a company established under the laws of the PRC with limited liability on September 13, 2013 and became our indirectly wholly-owned subsidiary on June 28, 2016
"HIBOR"	Hong Kong Interbank Offered Rate
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk** or the **IPO App**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company or specified on the designated website **www.hkeipo.hk** or the **IPO App**
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HNW Investment Fund"	HNW Investment Fund Series SPC, a company incorporated in the Cayman Islands with limited liability on July 9, 2012, whose voting shares are wholly-owned by CCB International Asset Management Limited, an Independent Third Party

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Investor Services Limited
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 90,000,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this Prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated December 24, 2019, relating to the Hong Kong Public Offering, entered into among, *inter alia*, the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters and our Company, as further described in the section headed "Underwriting" in this Prospectus
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules

"International Placing"	the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Placing Shares"	the 810,000,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting" in this Prospectus
"**IPO App**"	the mobile application for **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Joint Bookrunners" or "Joint Lead Managers"	Haitong International Securities Company Limited, DBS Asia Capital Limited, Mason Securities Limited, Guotai Junan Securities (Hong Kong) Limited and SBI China Capital Financial Services Limited
"Joint Global Coordinators"	Haitong International Securities Company Limited and DBS Asia Capital Limited
"Joint Sponsors"	Haitong International Capital Limited and DBS Asia Capital Limited
"Latest Practicable Date"	December 21, 2019, being the latest practicable date for ascertaining certain information in this Prospectus before its publication

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board first commence
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A Rules"	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006 and amended by MOFCOM on June 22, 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Maolin"	Maolin Investments Limited (茂臨投資有限公司), a company incorporated in the BVI with limited liability on September 2, 2014 and wholly-owned by Li Haifeng, our non-executive Director
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on December 19, 2019, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III to this Prospectus
"Mind Light"	Mind Light Holdings Limited (萬光控股有限公司), a company incorporated in the BVI with limited liability on July 16, 2015 and wholly-owned by our Company

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Ningxia Ruiyuan"	Ningxia Beijing Enterprises Ruiyuan Recycling Resources Limited (寧夏北控睿源再生資源有限公司) (formerly known as Ningxia Ruiyuan Environmental Protection Recycling Technology Limited (寧夏睿源環保循環利用科技有限公司)), a company established under the laws of the PRC with limited liability on January 27, 2015 and which became indirectly owned as to 61.0% by our Company on March 8, 2018
"Offer Price"	the final price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, which will be not more than HK$0.80 and is expected to be not less than HK$0.69, to be determined as described in the section headed "Structure of the Global Offering" in this Prospectus
"Offer Price Range"	HK$0.69 to HK$0.80 per Offer Share
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 135,000,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Placing, if any, details of which are described in the section headed "Structure of the Global Offering" in this Prospectus

"PBOC"	the People's Bank of China
"Perfect Ease"	Perfect Ease Holdings Limited (美怡控股有限公司), a company incorporated in Hong Kong with limited liability on July 15, 2015 and indirectly wholly-owned by our Company
"PRC GAAP"	generally accepted accounting practices in the PRC
"PRC Legal Advisors"	JunHe LLP, the legal advisors to our Company as to PRC laws
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, January 8, 2020 (Hong Kong time) and in any event no later than Tuesday, January 14, 2020, on which the Offer Price will be determined
"Principal Share Registrar"	Conyers Trust Company (Cayman) Limited
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"Qingdao BE"	Qingdao Beijing Enterprises Resources and Environmental Technology Limited (青島北控資源與環境技術有限公司), a company established under the laws of the PRC with limited liability on January 17, 2014 and which became indirectly owned as to 65.0% by our Company on December 23, 2016
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Persons"	the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, any of their or the Company's respective directors, officers, agents, or representatives or advisers or any other person involved in the Global Offering
"Reorganization"	the reorganization of our Group as described in "History, Reorganization and Corporate Structure — Reorganization" in this Prospectus

"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SAFE"	the State Administration of Foreign Exchange of the PRC
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	The Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shaanxi BE Recycling"	Shaanxi Beijing Enterprises Recycling Resources Limited (陝西北控再生資源有限公司), a company established under the laws of the PRC with limited liability on May 18, 2010 and which became indirectly owned as to 65.0% by our Company on December 23, 2016
"Shandong Pingfu"	Shandong Pingfu Environmental Services Limited (山東平福環境服務有限公司), a company established under the laws of the PRC with limited liability on January 25, 2008 and which became indirectly owned as to 65.0% by our Company on December 23, 2016
"Shanghai Ziyue"	Shanghai Ziyue Enterprises Management Partnership L.P. (上海自閱企業管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on February 5, 2016 which changed its name from Shanghai Ziyue Investment Center Partnership L.P. (上海自閱投資中心(有限合夥)) on December 14, 2017 with Zhao Zhen (趙貞) as its executive partner, Zhao Zhen (趙貞) and Yan Youhui (閆友暉) as its general partners, and Zhao Kexi (趙克喜), Liu Yuqiong (劉玉琼), Wang Jianli (王建利), Zhang Hailin (張海林), Chen Liping (陳麗萍) and Huang Wenlong (黃文龍) as its limited partners, among whom Zhao Kexi and Zhang Hailin are our executive Directors and the rest are the employees of the subsidiaries of BEWG and Independent Third Parties

"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.1 each
"Stabilization Manager"	Haitong International Securities Company Limited
"Star Colour"	Star Colour Investments Limited (星彩投資有限公司), a company incorporated in the BVI with limited liability on July 12, 2016 and wholly-owned by Zhou Min, our chairman and non-executive Director
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilization Manager and BEWG
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the three financial years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name(s)
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS
"Zhihua"	Zhihua Investments Limited (至華投資有限公司), a company incorporated in the BVI with limited liability on September 16, 2014 and wholly-owned by Hu Xiaoyong (胡曉勇), a director of the subsidiaries of BEWG and an Independent Third Party
"%"	per cent

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this Prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains definitions of certain terms used in this Prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"BOO"	build-own-operate, a project model in which the contractor constructs and operates an industrial project based on the concession conferred by a government agency without handing over the project to the government agency
"BTO"	build-transfer-operate, a form of project financing, in which an enterprise is entitled to a concession from the government agency to finance, design, construct and operate a facility stated in the concession contract. During concession period, the project developer recovers full investment with margin from grantors and provide operating services
"CAGR"	compound annual growth rate
"enterprise sector"	one sector of the environmental hygiene service market, where environmental hygiene services are outsourced to enterprises by local government agencies
"government agency sector"	one sector of the environmental hygiene service market, where local government agencies are responsible for providing environmental hygiene services in regions under their administration and do not outsource these services to enterprises
"landfill"	a common waste treatment method. As it is an easy method which requires little investment and is able to process all types of waste, it is widely adopted by other countries from waste landfill to sanitary landfill
"m^2"	square meters
"municipal solid waste"	household waste, sanitary waste, business waste and municipal waste from the day-to-day operations in a city or a town, the components of which primarily include slag, cooking residue, peel, plastic, fallen leaves, fabrics, lumber, glass, porcelain, leather and paper as well as a small amount of batteries and medical packaging materials such as aluminum, SP composite membranes/bags and rubber

"PPP"	public-private partnership, a partner relationship based on a concession agreement and formed between the government and an enterprise for co-construction of infrastructure projects or providing certain public goods and services
"ROT"	renovate-operate-transfer, a project model in which the enterprise is permitted to refurbish, operate and maintain an existing facility for a specific period of time. Upon the expiration of that period, the facilities will be transferred back to the government agency
"solid waste"	municipal solid waste, industrial solid waste and agricultural solid waste. According to the treatment categories, solid waste could be subdivided into medical waste, construction waste, industrial waste and household waste
"ton"	a unit of mass
"TOT"	transfer-operate-transfer, a project model in which the government transfers the right of ownership or operation rights of project to investors with compensation for a certain period. Investors then recover their full investment and be entitled to a reasonable amount of compensation through operation according to the contract. After the expiry of the contract, investors transfer the right of ownership or operation back to the government

Certain statements in this Prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this Prospectus), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business and to introduce new services;
- our ability to maintain or increase utilization of our facilities;
- our capital expenditure programs and future capital requirements;
- our future general and administrative expenses;
- our ability to control costs;
- our dividend policy;
- future development, trends and conditions in the industry in which we operate;

- changes in political, economic, legal and social conditions in the PRC, including specifically, the PRC government's policies with respect to economic growth, inflation and foreign exchange;

- changes in restrictions on foreign currency convertibility and remittance abroad;

- fluctuations in exchange rates and interest rates;

- all other risks and uncertainties described in the section headed "Risk Factors" in this Prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this Prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this Prospectus are expressly qualified by reference to this cautionary statement.

You should carefully consider all of the information in this Prospectus, including the following risk factors before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment. This Prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward looking statements as a result of many factors, including the risks described below.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (i) risks relating to our business and industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our historical results of operations may not be indicative of our future performance due to our rapid growth.

We have experienced significant growth during the Track Record Period. In 2016, as we were in the early stage of developing our business, we had only one revenue-generating project for environmental hygiene services and hazardous waste treatment business, respectively. Our revenue from continuing operations increased from HK$24.6 million in 2016 to HK$912.4 million in 2017, primarily due to our acquisitions of Shandong Pingfu in December 2016 and BE Urban Services PRC and its then subsidiaries and Chongqing Binnan and its then subsidiaries in 2017. Our revenue further increased to HK$2,211.8 million in 2018, primarily due to a combination of (i) our acquisition of Ningxia Ruiyuan; and (ii) more revenue recorded from projects that we acquired in 2017 after they started contributing their full-year revenue in 2018. Our revenue from continuing operations increased from HK$947.6 million for the six months ended June 30, 2018 to HK$1,475.3 million for the six months ended June 30, 2019, primarily due to a combination of (i) we operated more environmental hygiene service projects in the first half of 2019 than that we operated in the first half of 2018; and (ii) a significant increase in the treatment volume of projects for our hazardous waste treatment business. Our results of operations have been significantly affected by our acquisitions during the Track Record Period. In addition, our certain other income and gains, such as gain on bargain purchase of subsidiaries, gain on disposal of subsidiaries and gain on disposal of an associate, and our gain on disposal of the discontinued operation recognized for the year ended December 31, 2018, may not be recurring. Therefore, our results of operations during the Track Record Period differed substantially from, and may not be comparable with, previous respective years. We cannot assure you that we will continue to acquire new companies at the same pace or be able to continue such acquisitions at all. Therefore, our historical financial results may not be indicative in assessing our performance, and period-to-period comparisons of our results of operations should not be relied upon as an indication of our performance for any future period.

We may not be able to identify and secure new projects on commercially acceptable terms, or at all.

Our ability to expand depends on our ability to identify and secure new projects. In general, our ability to secure new projects is dependent on a number of factors, many of which are beyond our control, including (i) the development of local economies and local population growth and the resulting demand for our services in various regions in China; (ii) the demand for our services, which is significantly affected by relevant environmental protection measures implemented by local governments; (iii) our ability to identify feasible projects and successfully win the bids when we are required to participate in tender offers for such projects; (iv) the competition in the sectors and regions where we operate in; and (v) the development or slowdown of industrial activities in the regions where we provide hazardous waste treatment business. In addition, as of June 30, 2019, 54 of our 112 revenue-generating environmental hygiene service projects were referred or novated to us by BEWG, these projects accounted for 70.3% of our total revenue for the six months ended June 30, 2019. For details, see "Business — Environmental Hygiene Service — Our Project Portfolio." While our Directors are of the view that our Group will not continue to have projects referred by BEWG after Listing, we cannot assure you that we will be able to identify and secure new projects on terms commercially acceptable to us, or at all. In addition, environmental hygiene service projects may be subject to delay or change as a result of changes in local government's budgets or for other policy considerations. If we encounter difficulties in securing new projects for our expansion, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to implement our acquisition strategy successfully, and we may need to impair the goodwill in connection with our acquired business.

As a relatively new participant in the market, we selectively acquire existing companies or assets that would enhance the value of our existing portfolio of projects to expand our operations and enhance our market position and competitiveness during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018, we acquired 8, 27 and 7 companies, respectively. Carrying amount of our goodwill as of December 31, 2016, 2017 and 2018 and June 30, 2019 was approximately HK$121.4 million, HK$200.7 million, HK$392.9 million and HK$336.3 million, respectively.

The implementation of our acquisition strategy is subject to a number of risks, including (i) failure to identify certain defects in the acquired business during the due diligence process, (ii) failure to integrate acquired business and relevant personnel into our existing business, (iii) higher costs of integration than we may anticipate, (iv) any delay or failure in realizing the expected benefits of the acquired business, (v) failure to enable the acquired business to deliver the expected synergies, (vi) difficulties in obtaining government and other regulatory approvals, (vii) changes in market circumstances and demands, and (viii) diversion of our management's time and attention from other business concerns. In 2019, we terminated our investment in two companies we acquired in 2018 as a result of a breach of certain terms under the investment agreements by the counterparties of the investment agreements. We also disposed of another company that we acquired in 2018 in July 2019. We have also disposed of our equity interests in Chongqing Binnan. For details, see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries." We apply impairment test for our goodwill, which primarily resulted from our acquired business, on an annual basis and recognize impairment of goodwill when necessary. If we fail to integrate acquired businesses into our existing operations, or fail to identify suitable acquisition target in the future, our business may be materially and adversely affected.

Our managerial, operational and financial resources may be strained due to our rapid growth.

Our business had grown rapidly during the Track Record Period. Our revenue from continuing operations increased from HK$24.6 million in 2016 to HK$912.4 million in 2017, and further increased to HK$2,211.8 million in 2018. Our revenue from continuing operations increased from HK$947.6 million for the six months ended June 30, 2018 to HK$1,475.3 million for the six months ended June 30, 2019. Continuous and rapid business growth could put significant strain on our managerial, operational and financial resources. Our ability to manage future growth will depend upon our ability to effectively implement management, operational and financial plans on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, internal control procedures and other resources will be adequate to accommodate such rapid growth. Failure to expand available resources to meet our expansion needs may lead to increased costs and reduced profitability, which in turn may materially and adversely affect our business, financial condition and results of operations.

The development of the sectors we operate in is highly dependent on the PRC government's environmental protection policies, which may change from time to time.

The PRC government has promulgated and issued a series of laws and regulations and adopted preferential policies to support the development of the environmental protection in the PRC. We benefit directly and indirectly from such laws, regulations and governmental policies. For example, local government agencies increased outsourcing of environmental hygiene services to enterprises because the PRC government encouraged more enterprises to participate in the public services starting from 2013. In addition, according to "The 13th Five-Year Plan on Ecological Environment Protection" (「十三五」生態環境保護規劃) issued by the State Council, the PRC government encouraged construction of centralized hazardous waste treatment facilities. For details, see "Industry Overview." However, we cannot assure you that the favorable laws, regulations and governmental policies which we currently benefit from will be maintained, become more favorable or continue to exist at all, and we may not directly or indirectly benefit from any future amendments to the relevant laws or regulations, or changes to governmental policies. If we fail to respond to any changes to laws, regulations or governmental policies effectively and in a timely manner, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The sectors we operate in are highly competitive, which may adversely affect our business and financial condition.

The sectors we operate in are highly competitive. The environmental hygiene service market is competitive with small-scale service providers competing with each other to obtain projects from local government agencies. In recent years, the market has started to consolidate with a number of small-scale service providers being eliminated and certain large-scale service providers establishing their nationwide presence. Some of such large-scale service providers may be able to provide services with higher-quality, establish closer relationship with local government agencies, gain more familiarity with local market conditions or access to better financial, technical, marketing and other resources than we do, and may therefore be in a more advantageous position than us in securing projects tendered by the government. Furthermore, since environmental hygiene service projects are typically tendered by local government agencies, state-owned enterprises are expected to generally grow at faster pace than non-state owned enterprise. For details, see "Industry Overview — China's Environmental Hygiene Service Market." The hazardous waste treatment sector is highly fragmented in China. In this sector, some of our competitors may have better cost structures than ours and may be more established in their respective local markets. Significant capital investment and advanced technologies are required to distinguish us from our competitors. If we cannot compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected. Moreover, due to the rapid growth of the sectors we operate in, failure to maintain competitiveness could severely impact our ability to maintain our market position, expand our operations, increase our market share or promote our brand.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

We grow our business in part by acquiring other companies operating in our industry. A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (反壟斷法), and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on August 25, 2011 and effective from September 1, 2011, have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time consuming and complex. Many of these laws and regulations are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. There are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

We are exposed to environmental compliance risks due to the nature of our operations.

We are exposed to environmental compliance risks due to the nature of our operations of hazardous waste treatment business and waste electrical and electronic equipment treatment business. Despite our pollutant control efforts, our hazardous waste treatment facilities and waste electrical and electronic equipment treatment facilities generate gas, waste and ash pollutants. We have to closely monitor the pollutants to ensure our compliance with the applicable environmental laws and regulations. In addition, we may need to modify or upgrade our facilities or equipment if the applicable environmental laws and regulations become tightened. The types and amounts of pollutants from our facilities may increase unexpectedly due to a number of factors, including (i) increase in the volume of the hazardous waste we are required to treat or the electronic appliance we are required to dismantle, (ii) the change of mix of the hazardous waste we are required to treat, (iii) failure to disclose the nature or mix of the hazardous waste we are required to treat by our customers to us, and (iv) downtime or occurrence of accidents at our facilities or natural disasters. Unexpected leakage of hazardous materials may also occur at our facilities, which may be caused by natural forces, damage or hidden defects in the infrastructure. We did not receive any material claims for failing to comply with the relevant environmental requirements during the Track Record Period and as of the Latest Practicable Date. However, if we are unable to adequately and effectively operate our facilities in compliance with the relevant environmental laws and regulations, we may be subject to penalties or liabilities, and our reputation may be negatively affected. If we cannot manage our environmental compliance risks efficiently, or at all, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Negative public responses to the hazardous waste treatment business in general or our projects specifically may adversely affect our business.

The hazardous waste treatment industry in the PRC faces challenges from local residents at the locations of waste treatment facilities, such as landfills and incineration facilities. These residents may object to existence of such facilities in their neighborhood because of their perception of pollution risks as well as concerns on land use and local economy. We cannot assure you that incidents arising from negative public responses will not happen to our hazardous waste treatment projects. If any protests or objections exist against our hazardous waste treatment projects, our corporate image and reputation may be negatively affected, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business may be adversely affected if there is any significant downtime at our facilities for repair and maintenance.

We anticipate downtime for routine repairs and maintenance at our hazardous waste treatment facilities and waste electrical and electronic equipment treatment facilities. The time and cost required for such repair and maintenance may exceed our expectations, depending on various factors, including (i) whether the required repair can be conducted on-site, (ii) the extent of damage, (iii) the availability of replacement components, and (iv) the capacity of our third-party repair and maintenance service providers. In addition to routine repair and maintenance, extraordinary or extensive repair and maintenance may be required as a result of certain unexpected events, such as catastrophes, which may lead to substantial damages. If our facilities experience prolonged downtime, our operations could be materially disrupted. Any significant downtime at our facilities may reduce our utilization of such facilities, lead to breach of agreements with our customers, and materially and adversely affect our business, financial condition and results of operations.

Failure to achieve sufficient utilization of our facilities may adversely affect our business.

Each of our hazardous waste treatment projects has been constructed with a specific designed treatment capacity. See "Business — Our Hazardous Waste Treatment Business — Our Project Portfolio." A number of factors may affect the utilization of our facilities, including operating hours and efficiency of our equipment and sufficiency of industrial or medical waste to be treated. For example, if there is a decreasing demand for industrial waste treatment from our industrial customers due to their reduced production as a result of economic downturns, our utilization of industrial waste treatment facilities will be adversely affected. Utilization may also be affected by equipment damage, overhaul or regulatory inspections, whether scheduled or ad hoc. We cannot assure you that our hazardous waste treatment facilities can achieve their respective designed capacity. Failure to achieve sufficient utilization of our facilities may materially and adversely affect our business, financial condition and results of operations.

We may not be able to adjust the service fees for the environmental hygiene service projects that we operate in a timely manner to fully reflect any increase in our actual costs.

The concession agreements for the environmental hygiene service projects that we operate may contain provisions specifying the circumstances under which we can apply to adjust service fees that we charge. See "Business — Customers and Sales and Marketing — Our Customers — Environmental Hygiene Service Agreements — Payment of Service Fees." However, we cannot assure you that the relevant local government agencies or their designees will approve any application to adjust the service fees in a timely manner, or at all. If we incur significantly higher operating costs without a corresponding adjustment in the service fees or in the event of a reduction in service fees, we may not be able to sustain our profitability or we may even incur a loss, and our financial condition and results of operations may be materially and adversely affected.

We are exposed to the credit risk and cash flow risk in respect of the payment from our customers, including local governments.

We are subject to the credit risks of our customers, and our profitability and cash flow are dependent upon our receipt of timely payments from our customers for the services we provide to them. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our trade receivables turnover days was 705.4 days, 91.3 days, 85.0 days and 92.1 days, respectively. Whether we are able to receive timely payments from our customers may depend upon factors beyond our control, such as any economic downturn, which may result in a deterioration of our customers' financial conditions. Our customers for environmental hygiene services are primarily local government agencies or their designees in the PRC, and their payments to us generally involve an approval process, which may be time consuming. For the waste electrical and electronic equipment treatment business, it generally takes three to four years for the relevant government authorities to complete the confirmation process and make payment. As a result, we are subject to credit risk and cash flow risk arising from the potential of prolonged payment procedures of local governments. If there is any delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected.

We cannot assure you that we will be able to collect all or any of our receivables within the period prescribed in the agreements with our customers, or at all. If any of our customers face unexpected adverse situations, we may not be able to receive full or any payment of uncollected sums or enforce judgment debts against such customers. Collection may be difficult due to factors beyond our control. Non-payment or delays in payment by our customers may materially and adversely affect our business, financial condition, results of operations and prospects. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk — Credit Risk."

We may fail to obtain or maintain the approvals, permits, licenses and certificates required for our operations.

We are required to obtain various approvals, permits, licenses and certificates from various governmental authorities for our operations. See "Business — Licenses and Permits." Procedures for granting licenses and permits vary from location to location. We cannot assure you that we can receive the requisite approvals, permits, licenses and certificates in a timely manner, or at all. For instance, as of the Latest Practicable Date, 45 of our subsidiaries have commenced the provision of environmental hygiene services before obtaining the municipal waste transportation permit, due to unclear practice adopted by different local government agencies in granting such permit. Though those subsidiaries made the relevant applications and were confirmed by the relevant local government agencies that they would not be subject to any penalty for the provision of environmental hygiene services before obtaining the municipal waste transportation permit nor receive any order or demand requesting them to suspend the provision of environmental hygiene services, we cannot assure you that such confirmations will not be challenged by a higher authority. For details, see "Business — Licenses and Permits." In addition, some of the approvals, permits, licenses and certificates are subject to periodic review and renewal by governmental authorities, and the standards of compliance may be changed from time to time without notice in advance. For example, the Hazardous Waste Business License is generally valid for three to five years and should be renewed upon expiration by the holder in order to continue to conduct its hazardous waste treatment business. Any changes in the existing policies in relation to the renewal criteria or standards of compliance may result in our failure to renew or maintain such approvals, permits, licenses and certificates.

If we cannot be properly insulated from the rising cost of labor, or if we cannot protect our employees from work injury or occupational diseases, our results of operations may be adversely affected.

As the result of economic growth and the boom in the property industry in the PRC, labor costs have experienced increases in recent years. In addition, the PRC Labor Contract Law《中華人民共和國勞動合同法》enhanced the protection for employees and increased employers' liability. If we are unable to pass on any increase in the cost of labor to our customers, our results of operations may be adversely affected.

Our employees are exposed to certain safety risks. In our environmental hygiene service sector, our municipal workers are exposed to risks of traffic accidents when they operate in public streets. For details, see "Business — Employees." Our employees for the hazardous waste treatment business and waste electrical and electronic equipment treatment business are exposed to hazardous and toxic materials in their working environment. If we cannot protect our employees from work injury or occupational disease, we may be subject to claims from our employees which may materially and adversely affect our business, financial condition, results of operations and reputation.

We may be subject to additional social insurance fund and housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities.

Under the relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make in full the social insurance fund and housing provident fund contributions for some of our employees. As of December 31, 2016, 2017 and 2018 and June 30, 2019, the carrying amount of our provisions for social insurance fund and housing provident fund contributions amounted to HK$4.3 million, HK$33.8 million, HK$34.7 million and HK$55.7 million, respectively. As advised by our PRC Legal Advisors, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance funds within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. In respect of the outstanding housing provident fund contributions, we may be required by the relevant PRC authorities to pay the outstanding amount to the housing provident funds within a prescribed time frame. As of the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the social insurance funds and housing provident funds. However, we cannot assure you that we will not be subject to any order in the future to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds and housing provident funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

Our legal rights to certain leased properties may be challenged and we did not register all lease agreements.

As of the Latest Practicable Date, we leased 82 buildings which were mainly used as office premises, staff dormitories and parking lots and two parcels of land for our hazardous waste treatment business. Some of our landlords did not provide us with the relevant title certificates or relevant authorization documents evidencing their rights to sublease properties to us for 27 leased buildings and one parcel of land. We cannot assure you that the landlords from whom we leased such properties have the right to lease such properties to us. The relevant rightful title holders or other third parties may challenge our use of such leased properties and we may be required to seek alternative properties for lease on short notice. We may not be able to find alternative properties that are suitable for our use in a timely manner and at reasonable costs, or at all. Furthermore, we have not registered all lease agreements with the relevant government authorities in accordance with PRC laws and regulations and may be subject to fines ranging from RMB1,000 to RMB10,000 for such non-registered lease should we and our landlords fail to register the lease agreement upon request by the relevant authority.

The construction of our facilities is subject to risks which may give rise to delays or cost overruns.

We may encounter unbudgeted delays due to weather, natural disasters, shortages of and delays in deliveries of equipment or materials, labor disputes, unforeseen engineering, design, environmental or geological problems, or governmental authorities' delays in issuing the requisite permits or certificates, which may postpone the construction of our facilities. Governmental, statutory or other approvals that are required for the construction, completion, expansion or operation of our facilities may be delayed despite our efforts to obtain timely approvals. In addition, the design and construction of our facilities are typically undertaken by third-party contractors. We cannot assure you that such contractors will be able to complete construction in a timely and cost-effective manner and in accordance with our project design and specifications. Construction delays or defects at any of our projects may result in loss or delayed receipt of revenue and increase in financing costs. Furthermore, the failure to complete construction according to the schedule or specifications in our agreements with local government agencies may result in breach of such agreements, which may subject us to fines or penalties and lead to termination of such agreements by local government agencies.

In addition, we may also encounter unanticipated cost increases, such as increase in prices of construction materials and equipment. To the extent that increases in such costs cannot be passed to our customers and are not borne by our construction contractors, such increases may materially and adversely affect our business, financial condition and results of operations.

We require substantial funding for our BTO, ROT, TOT and BOO projects. Any failure to obtain adequate funding or refinance our existing debt at reasonable rates, or at all, could adversely affect our business, financial condition and results of operations, and could prevent us from fulfilling our financial obligations and business objectives.

BTO, ROT, TOT and BOO projects typically incur significant cash outflows during the initial ramp up stage, yet only start to generate cash inflows when commercial operations begin, resulting in a mismatch in timing between cash inflows and outflows. We are required to make substantial capital investments for our BTO, ROT, TOT and BOO projects during the construction phase or the initial transfer phase of the projects. In addition, during the operation phase of the facilities and projects based on the BTO, ROT, TOT and BOO project models, we are responsible for the cost of operation, maintenance and repair of the facilities during the relevant concession term. Usually, we receive payment from our customers over a period of 15 to 30 years in respect of our facilities and projects based on the BTO, ROT, TOT and BOO project models, and payments for these facilities and projects under BTO, ROT, TOT and BOO models only begin upon commencement of commercial operations.

We rely on the timely receipt of payment from our customers, which are usually the local governments to meet our working capital needs and to recover our investment costs. However, there is no assurance that the relevant local governments will make payments on time as a result of various factors beyond our control, such as adverse changes in economic conditions, unexpected changes in environmental pollution that affect the quality of our services or changes in government policy. Failure to receive payment in a timely manner, or at all, from local governments could cause us to breach our financing agreements.

We have incurred negative cash flows from operations during the Track Record Period, and our ability to obtain sufficient funding has a significant impact on our business, financial condition, results of operations and prospects.

For the years ended December 31, 2016, 2017 and 2018, we had net cash used in operating activities of HK$197.4 million, HK$25.8 million and HK$51.4 million, respectively. Although we seek to manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we experience net cash outflow.

Negative operating cash flow requires us to obtain sufficient external financing to meet out financing needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to expand our business. Our hazardous waste treatment facilities are typically capital intensive and require significant initial investments to acquire land use rights, construct facilities and purchase property, plant and equipment. We are also responsible for the costs of operations, repairs and maintenance. Costs in connection with any major overhaul, renovations, remodeling or upgrade of our existing facilities or equipment may be substantial. It may take a long period of time to recover our capital investments in such facilities.

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total loans amounted to HK$203.3 million, HK$696.8 million, HK$1,355.1 million and HK$1,276.2 million, respectively. Our ability to obtain sufficient financing is subject to a number of uncertainties, including but not limited to our financial condition, results of operations, cash flows, credit history, restrictive covenants under our existing debt instruments, the conditions of the credit and capital markets and changes in the monetary policies in the PRC. If we incur a substantial amount of debts, our finance costs may increase significantly and we may be more vulnerable to the general economic conditions. If we fail to secure sufficient external financing to finance our projects, or if our finance costs increase significantly, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, our borrowings may subject us to restrictive financial and/or non-financial covenants. We cannot assure you that we will be able to comply with all the restrictive covenants in the future. Should we fail to comply with the restrictive covenants, our lenders may be entitled to accelerate repayment of our borrowings, in which case our business, financial condition and results of operations will be adversely affected.

Our success depends upon our ability to retain key members of our management team and other qualified personnel.

We attribute our success to the leadership and contributions of our management team. Our continued success is largely dependent on our ability to retain the services of these key management personnel. The loss of their services without timely and suitable replacement may materially and adversely affect our business, financial condition and results of operations.

Our continued success and the implementation of our expansion plans also depend to a large extent upon our ability to attract and retain other qualified personnel, including but not limited to business development executives, general and operation managers for our project companies, engineers and technicians who have the necessary experience and expertise to conduct our business. There may be a limited local supply of adequately skilled municipal workers to provide our environmental hygiene services, and engineers and technicians to conduct our hazardous waste treatment business. If we are unable to attract and retain a sufficient number of such qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

We may face claims of our infringement of the intellectual property rights of others.

Third parties may assert that the technologies or techniques that we use in our business infringe their intellectual property rights. We cannot assure you that we will not face any claims or litigation for infringement of the intellectual property rights of others. These claims or litigation may adversely affect our relationships with current or future customers, divert management attention and resources, and result in costly litigation and thus adversely affect our business, financial condition, results of operations and prospects.

Failure to protect our intellectual property rights may materially and adversely affect our brand value.

We use the brand name "Beijing Enterprises (北控)", which is not a registered trademark, for our business operations. However, we may not be able to adequately protect the brand name from unauthorized use. Any unauthorized use or infringement of the brand name may impair our brand value and damage our reputation. Further, any negative incident or negative publicity concerning us or our projects may materially and adversely affect our reputation, business, financial condition and results of operations. Brand value is largely based on customer perceptions with a variety of subjective qualities and can be negatively affected even by isolated business incidents that degrade customers' trust. Customer demand for our services and our brand value could diminish significantly if we fail to preserve the quality of our services, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not adequately cover the risks related to our business and operations.

We maintain insurance in accordance with good and prudent industry practice. Our main assets include, among others, incineration systems and landfills for hazardous substance, which are exposed to risks of equipment failure, natural disasters, environmental hazards and industrial accidents, which may cause significant personal injury or death, severe damage to, and destruction of, property, plant and equipment, contamination of, or damage to, the environment and suspension of our business operations. In addition, the operation of our facilities may be interrupted upon occurrence of many factors beyond our control, including supply interruptions, the breakdown or failure of equipment, difficulty or inability to find suitable replacement parts for equipment, extreme weather conditions, workplace accidents involving personal injuries or deaths and unforeseen engineering and environmental problems.

Based on the level of our operational risks, we have entered into insurance policies to cover certain risks associated with our business. See "Business — Insurance." However, such insurance policies may have qualifications or limitations, and we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise. We cannot assure you that we will be able to renew these insurance policies on similar, or otherwise acceptable, terms, if at all. In addition, we cannot assure you that we have maintained adequate insurance. For example, certain types of insurance, such as insurance covering losses from acts of war or terrorism, are not available in the PRC at a reasonable cost or at all. If we were to incur significant uninsured losses, our business, financial condition, results of operations and prospects may be materially and adversely affected.

A significant portion of the revenue of our waste electrical and electronic equipment treatment business is derived from the subsidies granted by the PRC government, which may be subject to delays.

According to the Waste Electronic Appliance and Digital Product Disposal Fund Collection and Use Management Measures issued by the Ministry of Finance (財政部《廢棄電器電子產品處理基金徵收使用管理辦法》), qualified waste electronic appliance and digital product dismantling service providers may apply for subsidies from the national waste electronic appliance and digital product disposal fund (國家廢棄電器電子產品處理基金). Such subsidies account for a significant portion of the revenue of our waste electrical and electronic equipment treatment business. For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, 48.8%, 49.7% and 49.9% of our revenue from the waste electrical and electronic equipment treatment business was derived from such subsidies, respectively. Historically, the payments of such subsidies have been vulnerable to the economic and political conditions in China and subject to delays. The failure of local governments to make timely subsidy payments may have a material and adverse effect on our business, financial condition and results of operations. If we experience significant delay in receiving government subsidies, we will have to resort to internal sources and/or banking facilities in order to meet our cash flow requirements. Furthermore, we cannot ensure you that such government subsidies will not be reduced or canceled.

We are a holding company and rely primarily on dividends paid by our subsidiaries to fund any cash and financing requirements we have, and our ability to pay dividends depend on the earnings and distributions of our subsidiaries.

We are a holding company and we conduct our business operations primarily through our subsidiaries in the PRC. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and restrictive covenants on making payments to us contained in the financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders. In addition, the declaration of dividends will be at the absolute discretion of the boards of our subsidiaries. Furthermore, payments of dividends by our subsidiaries are subject to restrictions under the applicable laws and regulations in the PRC. Any of the above factors may affect our ability to pay dividends to our Shareholders and to service our indebtedness.

We may be involved in legal and other disputes from time to time arising out of our operations, including any disputes with our contractors, suppliers, employees or other third parties, and may face significant liabilities as a result.

We have during the Track Record Period and may from time to time be involved in disputes with various parties in our operations, including our contractors, suppliers, employees or other third parties. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may disagree with regulatory bodies in certain respects in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our properly developments. During the Track Record Period and up to the Latest Practicable Date, other than disclosed in "Business — Legal Proceedings and Compliance — Legal Proceedings", we were not involved in any lawsuit that have a material adverse effect on our business, financial condition and results of operations. However, we cannot assure you that we will not be involved in any major legal proceedings in the future. Any involvement on these disputes may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Possible changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect our business, prospects, financial condition and results of operations.

We conduct our business operations within the PRC. Accordingly, our financial condition and results of operations are influenced by the economic, political and social conditions, legal development, and government policies of the PRC. Although the PRC's economy has been transitioning from planned economy to a more market-oriented economy for almost four decades, China's economy differs from the economies of most development countries in many aspects, including with respect to the portion of state-owned productive assets, the amount of government involvement, level of development, growth rate, governmental control of foreign exchange and allocation of resources. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. However, any economic reform policies or measures in China may from time to time be modified, revised, or applied inconsistently from industry to industry or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy but have a negative effect on the industries in which we operate and subsequently our business.

The PRC has been one of the world's fastest growing economies as measured by GDP in recent years. However, there can be no assurance that the PRC economy will be able to sustain such a growth rate, and the PRC GDP growth has experienced a slowdown since 2012, and growth has been uneven across different regions and among various economic sectors. All of our revenue during the Track Record Period were generated within the PRC. As such, our future success is substantially dependent on economic, political and social conditions in the PRC. Any adverse changes in the PRC's political and social conditions or any slowdown or recession of the PRC's economy could have a material and adverse effect on our business, financial, results of operations and prospects.

The inherent uncertainties as to interpretation and implementation of laws of the PRC could limit the protection available to us and to our Shareholders.

Our business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protections to various forms of foreign investments in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. As many of these laws, regulations and rules are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws, regulations and rules may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws, regulations and rules may be protracted and could result in substantial costs and diversion of resources and management attention.

In addition, there can be no assurance that the PRC government will not amend or revise existing laws, regulations or rules to require additional approvals, licenses or permits, or to impose stricter requirements or conditions for the approvals, licenses or permits required for our business and operations. Any loss of or failure to obtain or renew our approvals, licenses or permits could disrupt our operations and subject us to fines or penalties imposed by the PRC government. There can also be no assurance that the PRC government will not amend or revise existing laws, regulations or rules, or promulgate new laws, regulations or rules that have a material and adverse effect on our business, operations growths or prospects.

We may be deemed a PRC resident enterprise for PRC EIT purposes under the EIT Law and be subject to PRC taxation on our global income.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was last amended on December 29, 2018, an enterprise established outside of China whose "de facto management body" is located in China is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. The Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) ("**EIT Law Implementation Rules**") defines "de facto management body" as the organization body that effectively exercises management and control over aspects such as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, the SAT released the Notice Regarding the Determination of Chinese- Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**Circular 82**"), as amended on January 29, 2014, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. Further to Circular 82, the SAT issued Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (《境外註冊中資控股居民企業所得稅管理辦法(試行)》) ("**Bulletin 45**"), which took effect on September 1, 2011, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. If our global income were to be taxed under the EIT Law, our financial condition and results of operations may be materially and adversely affected.

You may be subject to PRC income tax on dividends from us or on any gain realized on the sale or other disposition of our Shares under PRC law.

Under the EIT Law and EIT Law Implementation Rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from sources within China payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment if the relevant income is not effectively connected with the establishment. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although all of our business operations are in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of our investors' investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

PRC regulations of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such filing or registration procedures, our ability to use the proceeds of the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

The PRC government's control over currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The Renminbi is not presently a freely convertible currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following completion of the Global Offering, do not require prior approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the requisite licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict the ability of our PRC subsidiaries to obtain debt or equity financing in foreign currencies.

The existing foreign regulations allow us, following completion of the Global Offering, to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. The PRC government may also restrict our access to foreign currencies for current account transactions at its discretion. Any insufficiency of foreign currencies may impair our ability to obtain sufficient foreign currencies for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

Fluctuations in the value of Renminbi and other currencies could have an adverse effect on our business, financial condition and results of operations.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces and the PRC government's policies will continue to impact Renminbi exchange rates going forward. The Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies.

We recorded net foreign exchange differences of HK$10.7 million, HK$2.0 million, HK$0.7 million and HK$0.1 million as our other income and gains for the years ended December 31, 2016 and 2018 and the six months ended June 30, 2018 and 2019, respectively. We recorded a net foreign exchange loss of HK$6.2 million as our other expenses for the year ended December 31, 2017. We also recorded exchange differences of HK$0.7 million and HK$77.6 million as our other comprehensive income for the years ended December 31, 2016 and 2017, respectively, and exchange differences of HK$98.0 million, HK$7.2 million and HK$5.4 million for the years ended December 31, 2018 and the six months ended June 30, 2018 and 2019, respectively. Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, proceeds from the Global Offering are made in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against the Hong Kong dollar may adversely affect the value of our proceeds from the Global Offering. In addition, any unfavorable movement in the exchange rate of the Renminbi against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations.

We benefit from preferential tax incentives and tax benefits, which may expire or be revoked or changed in the future, or which may become unavailable to us for certain periods.

For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, our effective income tax rate for continuing operations were 18.7%, 17.6% and 24.0%, respectively. Certain of our subsidiaries in China enjoyed income tax exemptions and reductions during the Track Record Period because (i) these subsidiaries engaged in the operations of environmental protection, energy and water conservation; and/or (ii) these subsidiaries had operations in the western region of China that qualified them 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" issued by the State Council. The PRC tax system and further benefits extended by local governments are, however, subject to substantial uncertainties, and any of these tax incentives could be reduced or eliminated by governmental authorities at any time. Any such reduction, elimination or expiration of our tax incentives could have an adverse effect on our net income after taxes. We cannot assure you that any of our preferential tax treatments will be extended or will not be further abolished in the future.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among our Company and the Joint Global Coordinators on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our Offer Shares will develop, or if it does develop, will be sustained following the Global Offering.

The trading volume and market price of our Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

The trading volume and market price of our Shares following this Global Offering may be volatile. The following factors may affect the trading volume and market price of our Shares:

- actual or anticipated fluctuations in our revenue and results of operations;

- news regarding recruitment or departure of key personnel by us or our competitors;

- changes in earnings estimates or recommendations by financial analysts;
- the history of, and the prospects for, us and the industry in which we compete;
- potential litigation or regulatory investigations;
- announcements of new investments, strategic alliances and/or acquisitions in our industry; and
- the valuation of publicly traded companies that are engaged in business activities similar to ours.

Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade. We can give no assurance that these developments will not occur in the future.

In addition, in recent years, stock markets in general, and particularly the shares of companies with substantial operations in the PRC, have experienced increasing price and volume fluctuations, some of which have been unrelated or disproportionate to the operating performance of such companies. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future, or may result in dilution of your shareholding.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price we deem appropriate. In addition, our Shareholders may experience dilution in their holdings to the extent we issue additional Shares in future offerings.

A certain number of our Offer Shares held by existing Shareholders are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings to the Stock Exchange Pursuant to the Listing Rules" and "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings Pursuant to the Hong Kong Underwriting Agreement." After the lapse of the above mentioned restrictions, future sales or perceived sales of substantial amounts of our Offer Shares, or the possibility of such sales by us, could negatively impact the market price of our Offer Shares and our ability to raise equity capital in the future.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds." However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Purchasers of Shares will experience immediate dilution as a result of the Global Offering and may experience further dilution if we issue additional Shares in the future.

As the Offer Price of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets of HK$0.53 per Offer Share (assuming an Offer Price of HK$0.75 per Offer Share, that being the approximate mid-point of the stated Offer Price Range, and assuming the Over-allotment Option for the Global Offering is not exercised).

We may need to raise additional funds in the future to finance further expansion or new developments relating to our existing or new projects. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

We may not be able to pay any dividends or make other distributions on our Shares.

We did not declare or pay any dividend during the Track Record Period. Our Board of Directors has discretion in determining the frequency and amount of dividend distributions, which will be subject to the approval of our Shareholders at a general meeting. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our cash flows, financial condition and results of operations, capital adequacy ratios, operating and capital expenditure requirements, distributable profits of our PRC subsidiaries as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. Although the PRC GAAP are in all material aspects identical with HKFRS and the differences between our distributable profits recorded under the PRC GAAP and HKFRS are immaterial, the calculation of distributable profits under the PRC GAAP may be different from the calculation under HKFRS in certain respects, and our operating subsidiaries may not have distributable profits as determined under the PRC GAAP even if they have profits for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. See "Financial Information — Dividends." There is no assurance that we will adopt the same dividend policy as we have adopted in the past.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a Cayman Islands company and our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

We cannot assure you the accuracy of facts, forecasts and other statistics with respect to the PRC, the PRC economy and the industry in which we operate contained in this Prospectus.

We have derived certain facts, forecasts and other statistics in this Prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts, forecasts and statistics include the facts, forecasts and statistics used in "Risk Factors," "Industry Overview" and "Business." Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering.

Before the publication of this Prospectus, there may be press and media coverage which contains certain information regarding the Global Offering and us that is not set out in this Prospectus. We have not authorized the disclosure of such information in any press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no presentation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this Prospectus is inconsistent or conflicts with the information contained in this Prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our executive Directors are based in the PRC and are expected to continue to be based in the PRC as our head office, core business and operations are substantially located, managed and conducted in the PRC. In addition, substantially all our assets are based in the PRC. As each of our executive Directors has a vital role in our business and operations, it is of paramount importance for all of them to remain based in the PRC and physically close to our operations. The relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company as it will require time to process their residency application in Hong Kong. Furthermore, such Directors may encounter management difficulties after the relocation as they will not be physically present at the operation and management base of our Group in the PRC all the time. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements, as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of our Board in making decisions. Moreover, such additional executive Directors may not be able to fully understand the daily operations of our core business operations or fully appreciate the circumstances surrounding or affecting our core business operations and development from time to time, as they will not be physically present at the operation and management base of our Group in the PRC all the time. As such, such additional executive Directors may not be able to exercise their discretion on a fully informed basis, or make appropriate decisions or judgments that are most beneficial to our operations and development. Our Company currently does not and in the foreseeable future will not, have executive Directors who are ordinarily resident in Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

(1) that we appoint two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorized representatives appointed are Mr. Zhao Kexi, our executive Director and Mr. Fung Che Wai, Anthony, our chief financial officer and company secretary. Mr. Fung is ordinarily resident in Hong Kong. Although Mr. Zhao Kexi resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorized representatives will be authorized to communicate on our behalf with the Stock Exchange. We will keep the Stock Exchange informed of any change to such details. Our Company will only change the authorized

representative after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement. Our Company is registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Mr. Fung has also been authorized to accept service of legal process and notices in Hong Kong on our behalf.

(2) that each of the authorized representatives has means to contact all of our Directors (including our independent non-executive Directors) and all of our senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Each of our Directors who are not ordinarily resident in Hong Kong has confirmed that he possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant officers of the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a policy that (a) each Director will have to provide his office phone number, mobile phone number, fax number and email address (if applicable) to our authorized representatives; (b) in the event that a Director expects to travel or is otherwise out of office, he will endeavor to provide the phone number of the place of his accommodation to the authorized representatives or maintain an open line of communication via his mobile phone; and (c) each of our Directors and authorized representatives will provide their respective office phone numbers, mobile phone numbers, fax numbers and email addresses (if applicable) to the Stock Exchange.

(3) that we have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will have access at all times to our authorized representatives, Directors, senior management and other officers and will act as an additional channel of communication between the Stock Exchange and us for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The authorized representatives, our Directors, senior management and other officers will provide promptly such information and assistance as the compliance advisor may reasonably require in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, the authorized representatives, our Directors and other officers and the compliance advisor, and to the extent reasonably practicable and legally permissible, we will keep the compliance advisor informed of all communications and dealings between our Company and the Stock Exchange. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange.

(4) that the meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorized representatives under the Listing Rules and/or our compliance advisor.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under the Listing Rules after Listing. We have applied for, and the Stock Exchange has granted us a waiver from strict compliance with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — 2. Continuing Connected Transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent shareholders' approval requirements". See "Connected Transactions" for further details.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus and the related Application Forms, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information about our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Prospectus and the related Application Forms is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

You should rely only on the information contained in this Prospectus and the related Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, affiliates, advisors, agents or representatives or any person, or party involved in the Global Offering. Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and in the relevant Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this Prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters, and the International Placing is expected to be fully underwritten by the International Underwriters. The Global Offering is subject to our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

The Global Offering is managed by the Joint Global Coordinators. If, for any reasons, the Offer Price is not agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information, please refer to the section headed "Underwriting" in this Prospectus.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distributions of this Prospectus and/or Application Forms in any jurisdiction, other than in Hong Kong. Accordingly, and without limitation to the following, this Prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option). Save as aforesaid, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, January 15, 2020. The Shares will be traded in board lots of 4,000 Shares each. The stock code of the Shares is 3718.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of these settlement arrangements and how such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

All Offer Shares subscribed for pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on our Company's branch register of members to be maintained in Hong Kong by our Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company's principal register of members will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Dealings in Offer Shares registered in the branch register of members of our Company maintained in Hong Kong will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of and dealing in the Offer Shares (or exercising rights attached to them). None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, Offer Shares.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this Prospectus.

EXCHANGE RATE CONVERSION

For the purpose of illustration only and unless otherwise specified in this Prospectus, certain amounts denominated in Hong Kong dollars have been translated into Renminbi at an exchange rate of HK$1.00 = RMB0.85606 for illustration purpose only. Such conversions shall not be construed as representations that amounts in Hong Kong dollars were or could have been or could be converted into Renminbi at such rates or any other exchange rates on such date or any other date.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this Prospectus.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Zhao Kexi (趙克喜)	Room 519, 5th Floor, Building 7, Yard 6 Xiaoliangmaqiao West Road Chaoyang District Beijing PRC	Chinese
Mr. Zhang Hailin (張海林)	Room 2210, Building 9 Fangzhouyuan Xiaoqu 9 Beisihuandong Jia Road Chaoyang District Beijing PRC	Chinese
Mr. Huang Zhiwan (黃志萬)	Room 202, Unit 2, Building 53 Da Chang Xiaoqu Yard 1 Renmin Xi Road Gangbei District, Guigang Guangxi Zhuang Autonomous Region PRC	Chinese
Non-executive Directors		
Mr. Zhou Min (周敏)	Room 301, Unit 1, 3rd Floor, Building 1 Yuyuan Xianghongqi Road Haidian District Beijing PRC	Chinese

Name	Residential Address	Nationality
Mr. Li Haifeng (李海楓)	Room B, 20th Floor, Tower 5 Leighton Hill 2B Broadwood Road Happy Valley Hong Kong	Chinese
Mr. Li Li (李力)	4-510 Shanghai Shalong Yizhuang Economic Development Zone Daxing District Beijing PRC	Chinese
Independent non-executive Directors		
Mr. Orr Ka Yeung, Kevin (柯家洋)	Flat B, 3rd Floor 17-19 Sau Chuk Yuen Road Kowloon Tong Hong Kong	Chinese
Mr. Wu Tak Kong (胡德光)	Flat D, 5th Floor Block 12A, Provident Center 45 Wharf Road North Point Hong Kong	Chinese
Dr. Du Huanzheng (杜歡政)	1239 Siping Road Yangpu District Shanghai PRC	Chinese

See "Directors and senior management" in this Prospectus for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Haitong International Capital Limited** 8th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 6 (advising in corporate finance) regulated activities (as defined under the SFO))*
	DBS Asia Capital Limited 73rd Floor, The Center 99 Queen's Road Central Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO))*
Joint Global Coordinators	**Haitong International Securities Company Limited** 22nd Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities (as defined under the SFO))*
	DBS Asia Capital Limited 73rd Floor, The Center 99 Queen's Road Central Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO))*

Joint Bookrunners and Joint Lead Managers	**Haitong International Securities Company Limited** 22nd Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities (as defined under the SFO))*
	DBS Asia Capital Limited 73rd Floor, The Center 99 Queen's Road Central Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO))*
	Mason Securities Limited Portion 1, 12th Floor, The Center 99 Queen's Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO))*
	Guotai Junan Securities (Hong Kong) Limited 26th Floor to 28th Floor Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO))*
	SBI China Capital Financial Services Limited 4th Floor, Henley Building 5 Queen's Road Central Hong Kong *(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO))*

Hong Kong Underwriters

Haitong International Securities Company Limited
22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities (as defined under the SFO))

DBS Asia Capital Limited
73rd Floor, The Center
99 Queen's Road Central
Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO))

Mason Securities Limited
Portion 1, 12th Floor, The Center
99 Queen's Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO))

Guotai Junan Securities (Hong Kong) Limited
26th Floor to 28th Floor
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities (as defined under the SFO))

SBI China Capital Financial Services Limited
4th Floor, Henley Building
5 Queen's Road Central
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO))

Sinomax Securities Limited
Room 2705-6, 27th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities (as defined under the SFO))

Maxa Capital Limited
Flat 08, 19th Floor, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong
(Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO))

Legal advisors to our Company

As to Hong Kong law:
Sidley Austin
39th Floor, Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to PRC law:
JunHe LLP
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing
PRC

As to Cayman Islands law:
Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law and U.S. law:* **Slaughter and May** 47th Floor, Jardine House One Connaught Place Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6th Floor, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1014-1018, Tower B Greenland Hui Center 500 Yunjin Road Xuhui District Shanghai PRC
Independent Valuer	**Beijing North Asia Asset Assessment Firm (Special General Partnership)** Block A of Fenghuahaojing 6 Guangnei Street Xicheng District Beijing PRC
Receiving bank	**DBS Bank (Hong Kong) Limited** 16th Floor, The Center 99 Queen's Road Central Central Hong Kong

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in the PRC	5th to 8th Floor Block 101 Baiziwan East Lane Chaoyang District Beijing PRC
Principal place of business in Hong Kong	Unit 938, 9th Floor Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company secretary	**Mr. Fung Che Wai, Anthony** *(HKICPA)* Flat G, 11th Floor Hong Yan Court Healthy Street Central North Point Hong Kong
Compliance advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Hong Kong
Company's website	www.beur.net.cn *(the information contained on this website does not form part of this Prospectus)*

Authorized representatives	**Mr. Zhao Kexi** Room 519, 5th Floor, Building 7, Yard 6 Xiaoliangmaqiao West Road Chaoyang District Beijing PRC
	Mr. Fung Che Wai, Anthony Flat G, 11th Floor Hong Yan Court Healthy Street Central North Point Hong Kong
Audit committee	Mr. Wu Tak Kong *(Chairman)* Mr. Orr Ka Yeung, Kevin Dr. Du Huanzheng
Remuneration committee	Dr. Du Huanzheng *(Chairman)* Mr. Zhao Kexi Mr. Wu Tak Kong
Nomination committee	Mr. Zhou Min *(Chairman)* Mr. Orr Ka Yeung, Kevin Mr. Wu Tak Kong
Principal Share Registrar	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Principal bankers	**Bank of Beijing** 13-3 Guangming Road Dongcheng District Beijing PRC
	Hua Xia Bank 1st Floor, Building 410 Huizhong Beili Chaoyang District Beijing PRC
	Bank of Jiangsu 2nd Floor, Building 101 Baiziwan Dongli Chaoyang District Beijing PRC
	DBS Bank (Hong Kong) Limited Ground Floor, The Center 99 Queen's Road Central Central Hong Kong
	CMB Wing Lung Bank 45 Des Voeux Road Central Hong Kong

This section and elsewhere in this Prospectus contain information extracted from a report prepared by Frost & Sullivan, or the F&S Report[(1)], commissioned by us for purposes of this Prospectus. We believe that the sources of the information in this Industry Overview section are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is materially false or misleading, and no fact has been omitted that would render such information materially false or misleading. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the F&S Report which may qualify, contradict or have an adverse impact on the quality of information in this section. However, the information has not been independently verified by us, the Joint Sponsors or any other party (other than Frost & Sullivan) involved in the Global Offering and no representation is given as to its accuracy. Except as otherwise noted, all the data and forecast in this section are derived from the F&S Report.

OVERVIEW OF WASTE MANAGEMENT INDUSTRY

The waste management process in the waste management industry includes waste collection, sorting, treatment, recycling and reuse. Waste can generally be categorized into municipal solid waste, hazardous solid and liquid waste and industrial solid waste. In terms of revenue, the total market size of China's waste management market increased from approximately RMB1,365.7 billion in 2014 to RMB2,042.0 billion in 2018, representing a CAGR of 10.6%. In recent years, the PRC government has prioritized the development and implementation of environmental protection laws and regulations in its agenda. As part of that effort, in addition to harmless treatment, the PRC government will also place great emphasis on resources recycling and reuse, which drives the demand for comprehensive waste management capabilities across the entire waste management process. As a result, there is huge demand for waste collection, treatment and disposal and recycling and reuse in the entire waste management value chain. Accordingly, the size of China's waste management market in terms of revenue is expected to further increase to approximately RMB3,384.9 billion in 2023 at a CAGR of 10.6% from 2018.

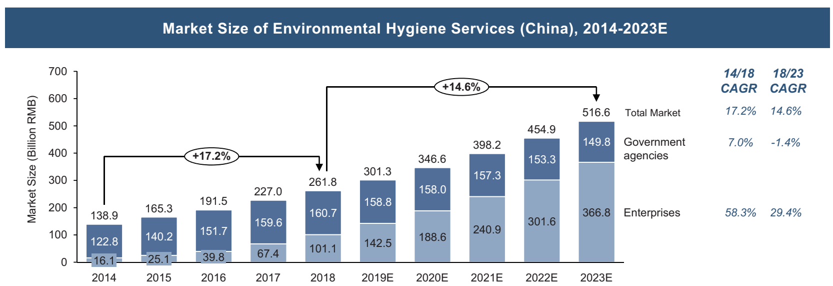
(1) We commissioned Frost & Sullivan, an independent advisory firm with relevant industry experience which was founded in New York in 1961, to conduct an analysis of, and to report on, the overview of waste management industry, environmental hygiene service market and the hazardous waste treatment market in China. The F&S report we commissioned has been prepared by Frost & Sullivan independent of our influence. We agreed to pay Frost & Sullivan a fee of RMB680,000, which we consider reflects market rates. Our payment of such fee is not contingent upon the results of the report or the analysis therein. For the purpose of preparing for the F&S Report, Frost & Sullivan has (i) conducted detailed primary research which involve discussing the status of the environmental hygiene service industrial and hazardous waste treatment market with leading industry participants and industry experts; and (ii) conducted secondary research which involve reviewing company reports, independent research reports and data based on Frost & Sullivan's own database. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. The F&S Report was prepared based on the following assumptions: (i) China' economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable from 2019 to 2023 for the purpose of forecast data; and (iii) stable GDP growth of China, the increase in urbanization rate in China and the rise in demand for environmental hygiene services in China are likely to drive the future growth of the industry.

CHINA'S ENVIRONMENTAL HYGIENE SERVICE MARKET

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. In line with common practice in the environmental hygiene service industry, the relevant market is classified into two sectors, namely the government agency sector and the enterprise sector. In the government agency sector, local government agencies are responsible for providing environmental hygiene services in regions under their administration and do not outsource these services to enterprises. For the enterprise sector, environmental hygiene services are outsourced to enterprises by local government agencies.

Historically, environmental hygiene services were primarily provided by the government agencies. The PRC Government introduced a series of policies to support the development of environmental hygiene services provided by enterprises. See "— Major Drivers and Future Trends — Favorable Governmental Policies." Since 2003 to 2013, local government agencies have been gradually outsourcing such service to enterprises, including state-owned enterprises and non-state-owned enterprises, which provide environmental hygiene service, through tender processes. During this period, the government agencies remained as the major source of capital for construction, operation and maintenance of environmental hygiene facilities, while the role of enterprises was limited to providing services. From 2013, in line with the national policies to encourage public-private partnerships, or PPP models, for public services, the government agencies have begun to outsource the environmental hygiene service projects through various PPP models, such as BTO, TOT, O&M, ROT and BOO, where enterprises became the major source of capital for construction, operation and maintenance of environmental hygiene facilities. As a result, enterprises could generate long-term return by operating and/or owning relevant facilities for an agreed period. Under the PPP models, enterprises assume substantial financial, technical and operational risk in the environmental hygiene service projects, which enables the government agencies to implement more effective financial resources management and risk management. In addition, the government agencies can leverage expertise, resources and experiences of enterprises to ensure higher quality and timely provision of public services. As a result, outsourcing of environmental hygiene services to enterprises has increased and is expected to become a common practice for local government agencies. Currently, non-state owned enterprises account for a larger portion of the enterprise sector. In 2018, non-state owned enterprises in aggregate generated a revenue of approximately RMB78.2 billion, accounting for approximately 77.4% of the enterprise sector in China's environmental hygiene services market. State-owned enterprises in aggregate generated a revenue of approximately RMB22.9 billion, accounting for approximately 22.6% of that sector. Going forward, the portion of non-state owned enterprises is expected to grow at a CAGR of approximately 28.2% from 2018 to 2023, reaching RMB270.6 billion in 2023. The state-owned enterprises are expected to generally grow at faster pace due to their government background. Meanwhile, leading non-state owned enterprises in the market with proven track records and well-established network also have advantages when competing for projects tendered by the government.

The size of environmental hygiene service market represents the sum of (i) the expenditure of government agencies on environmental hygiene services; and (ii) the revenue of enterprises from providing environmental hygiene services. The size of China's environmental hygiene service market increased from RMB138.9 billion in 2014 to RMB261.8 billion in 2018 at a CAGR of 17.2%, and is expected to further increase to RMB516.6 billion in 2023 at a CAGR of 14.6% from 2018. The enterprise sector accounted for 11.6% in 2014 of the total market. The share of the enterprise sector as a percentage of the total market increased to 38.6% in 2018, and is expected to further increase to 71.0% in 2023. The following diagram sets forth the actual and forecast size of China's environmental hygiene service market for the periods indicated.



Source: Frost & Sullivan

Notes:

(1) The market size of the government agency sector refers to the expenditure of the local governments on environmental hygiene services.

(2) The market size of the enterprise sector refers to the total revenue of the enterprises generated from providing environmental hygiene services outsourced by local government agencies.

Market Size of Environmental Hygiene Services for Enterprises

In terms of revenue, the market size of environmental hygiene services for enterprises, including state-owned enterprises and non-state-owned enterprises, in China witnessed significant growth from 2014 to 2018. The market increased from RMB16.1 billion in 2014 to RMB101.1 billion in 2018 at a CAGR of 58.3%, and is expected to increase at a CAGR of 29.4% from 2018 to 2023, reaching RMB366.8 billion in 2023.

Major Drivers and Future Trends

The primary market drivers and future trends for China's environmental hygiene service market include:

Increasing Urbanization

Urbanization is the major driver of the market because environmental hygiene services are mainly offered in urban and suburban areas in China. From 2018 to 2023, the urbanization rate in China is expected to increase from 59.6% to 67.4%, and is expected to further increase in a majority of existing urban areas. As a result, geographic coverage of environmental hygiene services is expected to further expand and the demand for services from existing areas is expected to further increase in the future. For example, from 2018 to 2023, the total area of roads to be serviced in China is expected to increase from approximately 9.1 billion m^2 to approximately 13.9 billion m^2 at a CAGR of 8.7%, the weight of municipal waste to be collected and transported in urban areas is expected to increase from 227.7 million tons to 321.9 million tons, and the number of public toilets that require to be serviced in urban areas is expected to increase from 138.3 million to 165.8 million.

Increasing Outsourcing of Governmental Tenders to Enterprises

The PRC government is currently encouraging more enterprises to participate in public services. The increasing outsourcing of governmental tender projects is expected to foster competition amongst enterprises and increase the level of marketization in the industry. Comparing with government agencies, enterprises are generally equipped with more professional knowledge and industry expertise. The market is expected to experience rapid growth and develop greater quality consistency as a result of increasing privatization of environmental hygiene services.

Favorable Governmental Policies

The PRC government has promulgated and issued a series of policies to support the development of the environmental hygiene services provided by enterprises. For example, in September 2013, the State Council promulgated the Guiding Opinions on Government Purchase of Public Service from Social Forces (關於政府向社會力量購買服務的指導意見); in May 2015, Ministry of Finance, NDRC and PBOC promulgated the Notice of

Guidance on Expanding Application of PPP Model in Public Service (關於在公共服務領域推廣政府和社會資本合作模式指導意見的通知); in September 2016, the Ministry of Housing and Urban-Rural Development promulgated the Opinions of the Departments including the Ministry of Housing and Urban-Rural Development on Further Encouraging and Supporting Private Capital in Entering into the Urban Water Supply, Gas, Heating Supply, Sewage and Waste Disposal Industries (住房城鄉建設部等部門關於進一步鼓勵和引導民間資本進入城市供水、燃氣、供熱、污水和垃圾處理行業的意見); in October 2016, the Ministry of Finance promulgated the Notice on Deeply Advancing the Public-Private Partnership in Public Service Fields (關於在公共服務領域深入推進政府和社會資本合作工作的通知); and in November 2017, NDRC promulgated the Guidance Opinion on Encouraging Non-governmental Capital to attend PPP Projects (國家發展改革委關於鼓勵民間資本參與政府和社會資本合作項目的指導意見). These policies are designed to promote the privatization of environmental hygiene services.

Growing Focus of Life Quality

During the past five years, the quality of life in China has improved significantly as a result of economic growth. The per capita disposable income of Chinese population increased from RMB20,167 in 2014 to RMB28,228 in 2018 at a CAGR of 9.1%. As the income grows, public focus of quality of life and better living environment also increases, contributing to increasing investment from government and hygiene service providers in the market. The investment on urban environmental sanitation in China increased from RMB49.5 billion in 2014 to RMB176.0 billion in 2017 with a CAGR of 52.6%. It is expected that the PRC government would increase investment on environmental hygiene service projects in the coming years.

Technology Improvement

Although environmental hygiene services are labor intensive in nature, such services are experiencing an increase in mechanization prevalence rate in recent years. The number of vehicles and equipment designated for urban municipal environmental sanitation increased from 141.4 million units in 2014 to 256.8 million units in 2018 at a CAGR of 15.2%, and is expected to further increase to 487.3 million units in 2023 at a CAGR of 13.7%. The improvement and renovation of technology helps to increase work efficiency. The environmental hygiene service market is expected to further expand as a result of the continuous increase in mechanization prevalence rate and development of mechanization standards.

Competitive Landscape of China's Environmental Hygiene Service Market for Enterprises in China

The environmental hygiene service market for enterprises, including state-owned enterprises and non state-owned enterprises in China is a highly fragmented market with approximately 4,000 industry participants in 2018. In terms of revenue in 2018, the top five enterprises together accounted for only approximately 11.4% of China's environmental hygiene service market for enterprises. We ranked fourth in the enterprise sector in terms of revenue in 2018, accounting for approximately 1.6% of the enterprise sector of this market and approximately 0.6% of the total market. The following table sets forth the market shares and rankings of major industry participants in China's environmental hygiene service market for enterprises in terms of revenue in 2018.

Ranking	Company	Revenue (Billion RMB)	Market Share	Number of Provinces Covered/Primary Operating Provinces		Primary Services
1	Company A	3.9	3.8%	22	Nationwide	• Environmental hygiene services • Sanitation Equipment Manufacture
2	Company B	2.7	2.7%	22	Nationwide	• Environmental hygiene services • Hazardous waste treatment • Solid waste treatment
3	Company C	2.0	2.0%	13	Guangdong	• Environmental hygiene services • Municipal landscaping
4	Our Group	1.6	1.6%	22	Nationwide	• Environmental hygiene services • Hazardous waste treatment
5	Company D	1.3	1.3%	8	Guangdong	• Environmental hygiene services • Hazardous waste treatment
	Top 5	11.5	11.4%			
	Others	89.6	88.6%			
	Total	101.1	100.0%			

Source: Frost & Sullivan

Barriers to Entry

Qualification Requirements

In China, government agencies generally have qualification requirements on enterprises participating in public tender process for environmental hygiene service projects. Government agencies generally classify enterprises into three grades. Enterprises with higher grades are more competitive in governmental tenders and are more likely to win projects with higher contract value. Although grading criteria is set by local government agencies and vary from place to place, factors that local government agencies generally consider include revenue, experience, number of employees and equipment.

Adequacy of Equipment

Having a large fleet of equipment of road cleaning vehicles is fundamental to win tenders for environmental hygiene service projects. Purchasing equipment requires capital input, thus becoming a major entry barrier for enterprises to participate in environmental hygiene service market.

Stringent Governmental Requirements

Government agencies generally award environmental hygiene service contracts to enterprises through a public tender process. Government agencies adopt stringent requirements on assessing capabilities of enterprises. Factors that government agencies consider generally include price, track record and number of staff. A rating system based on various factors such as price, track record and human resources are usually adopted by government agencies to assess capabilities of enterprises.

Proven Track Record

Government agencies regard proven track record in the industry as an important factor when assessing capabilities of environmental hygiene service providers. As a result, enterprises with proven track record period are able to further expand their business in the environmental hygiene service market.

Major Cost Component — Labor

The environmental hygiene services in China are labor intensive in nature. Therefore, labor cost represents the major cost for environmental hygiene service providers in China. As a result of the rapid economic growth and increasing urbanization rate in China, the average annual salary for workers in China's environment hygiene service market increased from approximately RMB33,847 in 2014 to approximately RMB44,963 in 2018 at a CAGR of 7.6%, and is expected to further increase at a CAGR of approximately 7.3% from 2018 to 2023, reaching RMB64,007 in 2023. As a result of the increase in mechanization prevalence rate, an increasing number of tasks in environmental hygiene services have been and are expected to be performed by vehicles and equipment, which enables environmental hygiene service providers to manage labor cost.

CHINA'S HAZARDOUS WASTE TREATMENT MARKET

Hazardous waste is defined as (i) waste that has one or more hazardous characteristics such as corrosivity, toxicity, ignitability, reactivity and infectivity and (ii) waste that are likely to be harmful to the environment or human body and need to be treated as hazardous waste. According to the National Catalog of Hazardous Waste (國家危險廢物名錄) promulgated by Ministry of Environmental Protection and NDRC in 2016, there are 46 categories of hazardous wastes. Hazardous waste can also be classified into medical waste and industrial waste.

There are two major final treatment methods of hazardous waste in China, namely resource utilization and disposal. Resource utilization aims to recycle valuable resources such as metal from waste through recycling and reuse. However, a decrease in the global metal price in recent years makes resource utilization less profitable. From 2014 to 2018, the disposal volume of hazardous waste in China increased from 9.3 million tons to 29.9 million tons, representing a CAGR of 33.9%. Disposal is mainly used for waste on which no other proper treatment methods are available. 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. From 2014 to 2018, the volume of hazardous waste treated through a resource utilization process grew from 20.6 million tons to 46.5 million tons, representing a CAGR of 22.6%.

Major Drivers and Future Trends

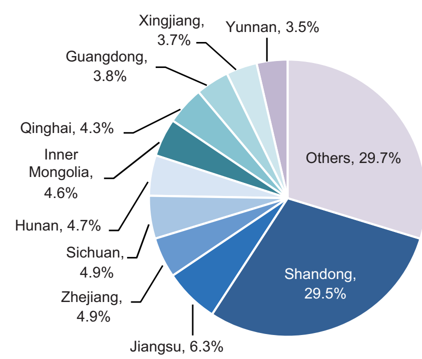
The primary market drivers and future trends for China's hazardous waste treatment market include:

Huge Output of Hazardous Waste

As a result of the economic and industrial development in China, hazardous waste output in China increased from 36.3 million tons in 2014 to 79.8 million tons in 2018 at a CAGR of 21.8%, and is expected to further increase to 150.7 million tons in 2023 at a CAGR of 13.6% from 2018. Such large and fast-growing output volume of hazardous waste, accompanied by increasingly stringent regulatory requirements on hazardous waste treatment resulted in a vast market demand for hazardous waste treatment business. In addition, hazardous waste that has not yet been treated from historical operations for many enterprises contribute to the increasing demand for hazardous waste treatment business.

Unbalanced Distribution of Designed Treatment Capacity

In China, hazardous waste output and treatment capacity is unevenly distributed. In 2017, even though provinces with more industrial enterprises such as Shandong, Inner Mongolia and Qinghai contributed to 38.4% of the hazardous waste output in China in 2017(1), the total designed treatment capacity for hazardous waste disposal in these provinces are comparatively low, representing 4.2% of the total designed treatment capacity for hazardous waste disposal in China in 2018. As a result of the uneven distribution, provinces with more industrial enterprises are confronted with a shortage of treatment facilities. Such shortage is expected to promote further increase market demand for hazardous waste treatment business. The following chart sets forth the distribution of hazardous waste output by province in 2017(1):



Source: National Bureau of Statistics; Frost & Sullivan

Note:

(1) The data of China's hazardous waste output by province in 2018 is not available as at the Latest Practicable Date.

Increasing Penetration

Although the overall treatment rate of hazardous waste in China has reached 95.7% in 2018, considering the large volume of hazardous wastes illegally disposed of, the actual treatment rate may be much lower. Currently, many treatment facilities have a relatively low utilization rate despite their large designed capacity. In addition, the total designed treatment capacity for disposal of centralized hazardous waste treatment facilities is expected to reach approximately 83.7 million tons in 2023 at a CAGR of 18.2% from 2018. Driven by an increase in the utilization rate and continuous increases in both designed treatment capacity for disposal and resource utilization of hazardous waste, the actual treatment rate of hazardous waste in China is expected to further increase in the following years.

Favorable Governmental Policies

The PRC government has promulgated and issued a series of supportive policies in recent years to boost the development of and regulate hazardous waste treatment industry. In "the 13th Five-Year Plan on Ecological Environment Protection" (「十三五」生態環境保護規劃), the State Council has placed great emphasis on increasing treatment capacity of hazardous waste. The State Council also encouraged the construction of centralized hazardous waste treatment facilities as public infrastructure in the Plan. In addition, according to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) that came effect on January 1, 2015, local governments in China should make overall planning for the construction of hazardous waste treatment facilities and ensure their daily operation. Favorable governmental policies highlight the importance of hazardous waste treatment industry in PRC, which will promote the growth of the industry.

Demand for Technological Upgrade

Many centralized treatment facilities in China are plagued with low utilization rate due to stability issues of equipment. Furthermore, if not equipped with advanced technology, the treatment process of these facilities will cause secondary pollution. As the PRC government has implemented stricter regulatory requirements on hazardous waste treatment, the demand for technological upgrade is expected to increase in the following years. In addition, the increase in utilization rate as a result of technological upgrade is expected to increase actual treatment volume of hazardous waste.

Competitive Landscape of Hazardous Waste Treatment Market in China

The hazardous waste treatment market in China is a highly competitive and fragmented market with approximately 1,000 industry participants in 2018. In terms of total designed treatment capacity for waste disposal of centralized hazardous waste treatment facilities in operation (including facilities in trial operation) in 2018, the top 10 industry participants accounted for only 9.8% of the total disposal capacity, and we ranked sixth, accounting for approximately 0.7% of the total designed treatment capacity for waste disposal in operation in China. In terms of total actual treatment volume for waste disposal of centralized hazardous waste treatment facilities in operation (including facilities in trial operation) in 2018, the top 10 industry participants accounted for only 13.8% of the total actual treatment volume, and we ranked ninth, accounting for approximately 0.6% of the total actual treatment volume for waste disposal in operation in China.

The following table sets forth the market shares and rankings of major industry participants in China's hazardous waste treatment market in terms of total designed treatment capacity for waste disposal of centralized hazardous waste treatment facilities in operation in 2018.

Ranking	Company	Background	Total Designed Treatment Capacity(1) (000' Tons/Year)	Market Share	Qualified Treatment Categories
1	Company E	• A company mainly focusing on the businesses of hazardous waste treatment and solid waste treatment.	1,101.5	3.0%	44
2	Company F	• A company mainly focusing on the businesses of hazardous waste treatment, wastewater treatment, water supply, etc.	399.7	1.1%	45
3	Company G	• A company mainly focusing on the businesses of wastewater treatment, water supply, hazardous waste treatment, etc.	396.5	1.1%	42
4	Company H	• A state-owned enterprise mainly focusing on the business of hazardous waste treatment.	313.1	0.9%	41
5	Company I	• A state-owned enterprise mainly focusing on the businesses of wastewater treatment, water supply, hazardous waste treatment, etc.	269.6	0.7%	36
6	**Our Group**	-	**253.1**	**0.7%**	**38**
7	Company J	• A company mainly focusing on the businesses of hazardous waste treatment, wastewater treatment, sludge treatment , soil remediation, etc.	235.0	0.6%	26
8	Company K	• A company mainly focusing on the business of hazardous waste treatment.	204.8	0.6%	26
9	Company L	• A company mainly focusing on the businesses of biomass power generation, hazardous waste treatment, etc.	191.0	0.5%	43
10	Company M	• A company mainly focusing on the businesses of industrial wastewater treatment and water supply, solid waste, hazardous waste disposal, etc.	182.5	0.5%	22
		Top 10 Subtotal	**3,546.7**	**9.8%**	
		Others	**32,825.6**	**90.2%**	
		Total Designed Treatment Capacity for Waste Disposal in Operation in 2018	**36,372.3**	**100.0%**	

Source: Frost & Sullivan

Notes:

(1) Designed treatment capacity represents the maximum treatment capacity of a hazardous waste treatment facility. It is the industry practice in the PRC hazardous waste treatment market to use the designed treatment capacity of a company's facilities to show the company's business scale and market size.

(2) In May 2019, we disposed of Jiaxing Waste Disposal Project (嘉興廢物處理項目), which recorded a total designed treatment capacity of 31,000 tons per annum in 2018. For details, see "Business — Our Hazardous Waste Treatment Business — Our Project Portfolio" and "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries." For illustration purpose, taking into account the disposal of Jiaxing Waste Disposal Project, our total designed treatment capacity reached 222,050 tons per annum in 2018, ranking seventh in China.

The following table sets forth the market shares and rankings of major industry participants in China's hazardous waste treatment market in terms of total actual treatment volume for waste disposal of centralized hazardous waste treatment facilities in operation in 2018.

Ranking	Company	Identities and Background	Actual Treatment Volume (000' Tons)	Market Share
1	Company E	A publicly listed company on Hong Kong and Shenzhen stock market, founded in 1999 in PRC, mainly focusing on the businesses of hazardous waste treatment and solid waste treatment	574.4	4.4%
2	Company F	A foreign invested company founded in 1853, mainly focusing on the businesses of hazardous waste treatment, wastewater treatment, water supply, etc.	252.4	1.9%
3	Company J	A foreign invested company founded in 1975, mainly focusing on the businesses of hazardous waste treatment, wastewater treatment, sludge treatment , soil remediation, etc.	165.2	1.3%
4	Company H	A state-owned enterprise, founded in 1988 in Shenzhen, mainly focusing on the business of hazardous waste treatment.	151.6	1.2%
5	Company I	A state-owned enterprise, founded in 1992 in Shanghai, mainly focusing on the businesses of wastewater treatment, water supply, hazardous waste treatment, etc.	148.3	1.1%
6	Company G	A subsidiary of a publicly listed company on Hong Kong stock market, founded in 2015 in PRC, mainly focusing on the businesses of wastewater treatment, water supply, hazardous waste treatment, etc.	132.8	1.0%
7	Company L	A publicly listed company on Hong Kong stock market, founded in 2006 in PRC, mainly focusing on the businesses of biomass power generation, hazardous waste treatment, etc.	127.1	1.0%
8	Company M	A publicly listed company on Hong Kong stock market, founded in 1999 in PRC, mainly focusing on the businesses of industrial wastewater treatment and water supply, solid waste, hazardous waste disposal, etc.	105.9	0.8%
9	**Our Group**	-	**80.5**	**0.6%**
10	Company U	A private company founded in 2006 in PRC, mainly focusing on the business of hazardous waste treatment.	77.3	0.6%
		Top 10 Subtotal	**1,815.5**	**13.8%**
		Others	**11,349.8**	**86.2%**
		Total Hazardous Waste Actual Treatment Volume in Operation 2018	**13,165.3**	**100.0%**

Source: Frost & Sullivan

Note:

(1) Jiaxing Waste Disposal Project (嘉興廢物處理項目), which we disposed of in May 2019, did not record any actual treatment volume in 2018.

We are one of the leading industry participants in terms of designed treatment capacity in hazardous waste treatment market in Shangdong and Qinghai, respectively, which was the first largest and seventh largest hazardous waste output province in 2017, with 29.5% and 4.3% of China's total hazardous waste output, respectively. In 2018, our total designed treatment capacity for waste disposal in operation in Shandong and Qinghai reached 90,400 tons and 130,000 tons, ranking fourth and first among all the industry participants in Shandong and Qinghai, respectively. In 2018, our total actual treatment volume for waste disposal in operation in Shandong and Qinghai reached 63,100 tons and 15,400 tons, ranking first and second among all the industry participants in Shandong and Qinghai, respectively.

The following tables set forth the market shares and rankings of major industry participants in Shandong and Qinghai, respectively, in terms of total designed treatment capacity for waste disposal in operation in 2018.

Ranking	Company	Background	Total Designed Treatment Capacity (000' Tons/ Year)	Market Share (%)	Qualified Treatment Categories
Shandong					
1	Company K	• A company mainly focusing on the business of hazardous waste treatment.	110.0	9.6%	26
2	Company N	• A company mainly focusing on the business of hazardous waste treatment.	103.2	9.0%	16
3	Company O	• A company mainly focusing on the business of hazardous waste treatment and resource utilization.	101.6	8.9%	36
4	**Our Group**	-	**90.4**	**7.9%**	**38**
5	Company P	• A company mainly focusing on the business of hazardous waste disposal.	80.0	7.0%	34
		Top 5 Subtotal	**485.2**	**42.4%**	
		Others	**659.8**	**57.6%**	
		Total Designed Treatment Capacity	**1145.0**	**100.0%**	

Ranking	Company	Background	Total Designed Treatment Capacity (000' Tons/ Year)	Market Share (%)	Qualified Treatment Categories
Qinghai					
1	**Our Group**	-	**130.0**	**58.1%**	**38**
2	Company Q	• A state-owned enterprise mainly focusing on the business of hazardous waste disposal, chemical production, etc	50.0	22.3%	6
3	Company R	• A state-owned enterprise mainly focusing on the business of hazardous waste disposal and soil remediation.	17.3	7.7%	40
4	Company S	• A state-owned enterprise mainly focusing on the business of hazardous waste disposal and local infrastructure investment.	17.0	7.6%	1
5	Company T	• A company mainly focusing on the business of medical hazardous waste disposal.	7.3	3.3%	1
		Top 5 Subtotal	**221.6**	**99.0%**	
		Others	**2.2**	**1.0%**	
		Total Designed Treatment Capacity	**223.8**	**100.0%**	

Source: Frost & Sullivan

The following tables set forth the market shares and rankings of major industry participants in Shandong and Qinghai, respectively, in terms of total actual treatment volume for waste disposal in operation in 2018.

Ranking	Company	Identities and Background	Actual Treatment Volume (000' Tons)	Market Share (%)
Shandong				
1	**Our Group**	-	**63.1**	**9.9%**
2	Company K	• A private company founded in 2009 in PRC, mainly focusing on the business of hazardous waste treatment.	57.3	9.0%
4	Company O	• A private company founded in 2004 in PRC, mainly focusing on the business of hazardous waste treatment and resource utilization.	45.6	7.2%
3	Company P	• A private company founded in 2016 in PRC, mainly focusing on the business of hazardous waste disposal.	41.0	6.4%
5	Company N	• A private company founded in 2010 in PRC, mainly focusing on the business of hazardous waste treatment.	32.9	5.2%
		Top 5 Subtotal	**239.9**	**37.7%**
		Others	**396.7**	**62.3%**
		Total Hazardous Waste Actual Treatment Volume in Operation 2018	**636.6**	**100.0%**

Ranking	Company	Identities and Background	Actual Treatment Volume (000' Tons)	Market Share (%)
Qinghai				
1	Company Q	• A state-owned enterprise, founded in 1986 in PRC, mainly focusing on the business of hazardous waste disposal, chemical production, etc.	31.0	39.6%
2	**Our Group**	-	**15.4**	**19.7%**
3	Company R	• A state-owned enterprise, founded in 2010 in PRC, mainly focusing on the business of hazardous waste disposal and soil remediation.	11.2	14.3%
4	Company S	• A state-owned enterprise, founded in 2010 in PRC, mainly focusing on the business of hazardous waste disposal and local infrastructure investment.	12.1	15.5%
5	Company T	• A private company founded in 2006 in PRC, mainly focusing on the business of medical hazardous waste disposal.	7.1	9.0%
		Top 5 Subtotal	**76.8**	**98.1%**
		Others	**1.5**	**1.9%**
		Total Hazardous Waste Actual Treatment Volume in Operation 2018	**78.3**	**100.0%**

Source: Frost & Sullivan

Barriers to Entry

Qualification Requirements

In China, enterprises must obtain a Hazardous Waste Business License to conduct hazardous waste treatment business. However, considering the risk and importance of hazardous waste treatment business, the regulators are more likely to grant the business license to enterprises with industry experience and expertise. For example, according to the Measures for the Administration on Hazardous Waste Business Licensing (危險廢物經營許可證管理辦法), only enterprises with three or more technicians that having industry experience exceeding three years and equipped with qualifying waste transportation and treatment facilities are able to obtain comprehensive operation licenses for collection, storage and treatment of hazardous waste.

Capital Intensity

Hazardous waste treatment facilities usually require intensive capital investment. For example, a landfill disposal plant with a disposal capacity of 300,000 tons typically requires an initial investment of approximately RMB100 million. In addition, the construction cycle of hazardous waste treatment facilities usually ranges from three to five years. Such high and recurring investment requires industry participants to be equipped with capital strength and financing capabilities.

Technology

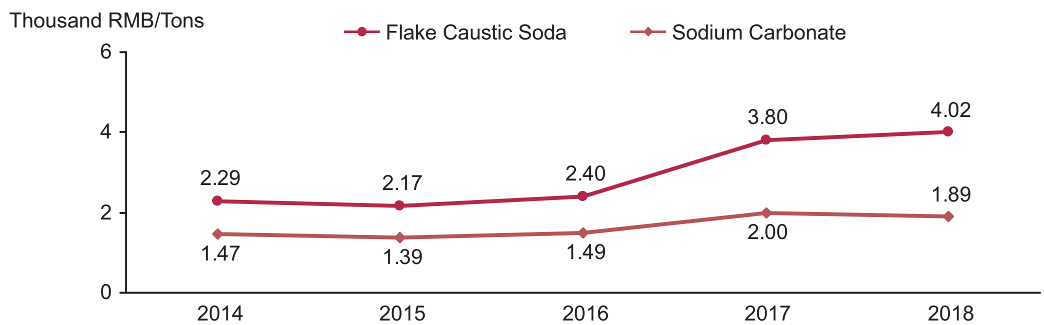
Technology is another major entry barrier for industry participants in hazardous waste treatment industry. In China, many hazardous waste treatment facilities only utilize part of their designed treatment capacity mainly due to their lack of advanced technology and instability of equipment. In addition, low-quality equipment and treatment process will result in secondary pollution. As a result, enterprises that are equipped with advanced treatment technologies and high-quality equipment will be well-positioned to compete in the market.

Government Relationship

In China, according to the Measures for the Administration on Hazardous Waste Business Licensing, enterprises that engage in collection, storage and treatment of hazardous waste are required to obtain a Hazardous Waste Business License from environmental protection regulatory authorities under the municipal government at county level or above. Recognition by government is therefore crucial for hazardous waste treatment enterprise to obtain such license.

Major Cost Component — Raw Materials

Sodium carbonate and flake caustic soda are the two major chemicals used in hazardous waste treatment business. From 2014 to 2016, average market price of sodium carbonate and flake caustic soda maintained relatively stable. In 2017, the prices of both sodium carbonate and flake caustic soda increased significantly primarily due to a decrease in the supply as a result of the massive shut-down of unqualified small-scale factories in northern part of China, as well as periodic maintenance that resulted in temporary suspension of business operation of certain manufacturers of sodium carbonate and flake caustic soda. In 2018, the prices and supply of both raw materials remained stable. The prices of sodium carbonate and flake caustic soda are expected to remain stable in the future. The diagram below sets forth the historical average market prices of sodium carbonate and flake caustic soda in China, respectively.



Source: Frost & Sullivan

The average market price of sodium carbonate and flake caustic soda are estimated to increase slightly at a CAGR of approximately 1.1% and 3.2%, respectively, from 2018 to 2023, reaching RMB2.0 thousand per ton and RMB4.7 thousand per ton, respectively, in 2023.

OUR HISTORY

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on March 26, 2019. Since its incorporation, our Company has been an investment holding company with no business operation. Pursuant to the Reorganization, as more particularly described in the paragraph headed "Reorganization" in this section, our Company became the holding company of our Group for the purpose of the Listing.

Our history can be traced back to 2013 when Guigang Sanitation was established by BE Water Guangxi and commenced to invest, build and operate garbage transportation stations in Guigang, Guangxi and engaged in the transportation of household waste. In July 2014, Guigang Medical Waste was established by BE Water Guangxi and commenced the operation of Guangxi Guigang (BEWG) Medical Waste Disposal Center. BE Urban Services PRC was established in July 2015 and started the nationwide expansion of environmental hygiene business. As of the Latest Practicable Date, we had established presence in 28 provinces and municipalities across China. In July 2015, Mind Light was incorporated and became an associate of BEWG in December 2016. Since then, Mind Light became a platform company for the provision of hazardous waste treatment services. In December 2016, we started to expand our hazardous waste treatment business by the acquisition of certain companies engaged in such services. In April 2017, our Group completed the strategic layout of our business which included two primary segments, namely environmental hygiene services and hazardous waste treatment services. As of the Latest Practicable Date, our Company had a total of 84 subsidiaries engaged in the provision of environmental hygiene services, 29 subsidiaries engaged in the provision of hazardous waste treatment services, and three subsidiaries engaged in the provision of waste electrical and electronic equipment treatment services.

OUR BUSINESS DEVELOPMENT AND KEY MILESTONES

Set out below are the key milestones of our business and corporate development:

Year	Event
2013	Guigang Sanitation was established and commenced to invest, build and operate certain garbage transportation stations in Guigang, Guangxi and engaged in the transportation of household waste
2014	Guigang Medical Waste was established and commenced its operation of Guangxi Guigang (BEWG) Medical Waste Disposal Center

Year	Event
2015	BE Urban Services PRC was established and we started the nationwide expansion of environmental hygiene business
2016	Mind Light became as an associate of BEWG
	Qingdao BE was acquired together with certain project companies engaged in the provision of hazardous waste treatment services, including Shandong Pingfu
2018	The annual revenue generated from the environmental hygiene service projects we operated amounted to over HK$1,600 million

CORPORATE DEVELOPMENT

As of the Latest Practicable Date, our Group had a number of operating subsidiaries in the PRC to carry out our business. Major corporate development of our principal operating subsidiaries are set out below:

Shandong Pingfu

Shandong Pingfu was established in the PRC as a limited liability company on January 25, 2008 with an initial registered capital of RMB10.0 million. As of the date of its establishment, Shandong Pingfu was wholly-owned by Qingdao Xintiandi Investment Limited (青島新天地投資有限公司) ("**Qingdao Xintiandi**"), a company wholly-owned by Han Qingjie (韓清潔), a substantial shareholder of our subsidiary. Subsequent to a series of capital injection and equity transfers, Shandong Pingfu became wholly-owned by Qingdao BE on October 26, 2016, and its registered capital was increased to RMB47.28 million. As a result of the Reorganization, Qingdao BE became indirectly owned as to 65.0% by our Company, and Shandong Pingfu thus became indirectly owned as to 65.0% by our Company. See "Reorganization" in this section for further details.

Shandong Pingfu commenced business operation in January 2017, and is principally engaged in the provision of hazardous waste treatment services.

Ningxia Ruiyuan

Ningxia Ruiyuan was established in the PRC as a limited liability company on January 27, 2015 with an initial registered capital of RMB20.0 million. As of the date of its establishment, Ningxia Ruiyuan was owned by three Independent Third Parties. Subsequent to a series of capital injection and equity transfers, as of March 8, 2018, Ningxia Ruiyuan became owned as to 8.5% by Yuan Mingfei (遠明飛), a director of our subsidiary, 16.7% by Yuan Tengfei (遠騰飛), a substantial shareholder of our subsidiary, 5.5% by Ma Qiuyuan (禡秋元), 8.3% by Yuan Xueli (遠學力), both being Independent Third Parties, and 61.0% by Beijing BE Environment, and its registered capital was increased to RMB120.0 million. As a result of the Reorganization, Ningxia Ruiyuan became indirectly owned as to 61.0% by our Company. See "Reorganization" in this section for further details.

Ningxia Ruiyuan commenced business operation in April 2016, and is principally engaged in the provision of hazardous waste treatment services.

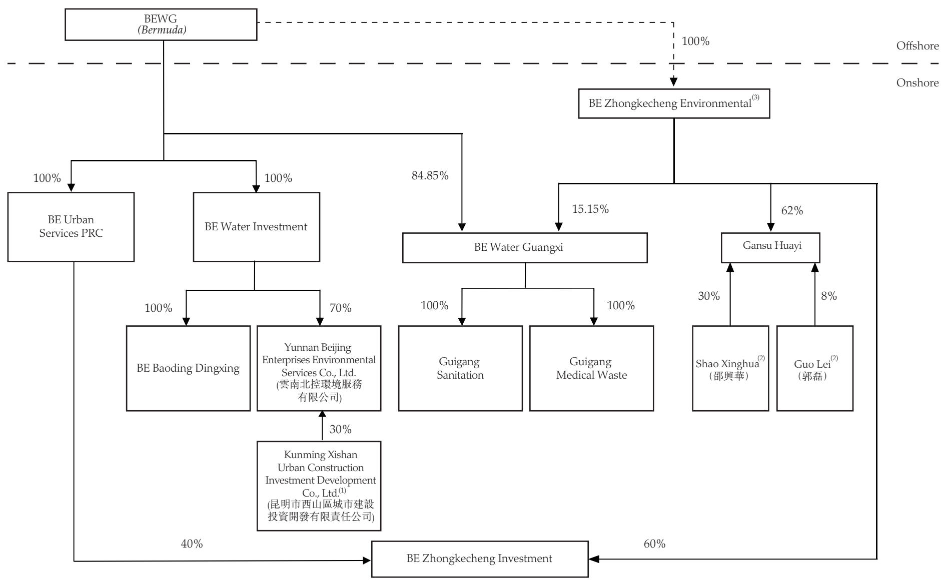
Shaanxi BE Recycling

Shaanxi BE Recycling was established in the PRC as a limited liability company on May 8, 2010 with an initial registered capital of RMB3.0 million. As of the date of its establishment, Shaanxi BE Recycling was owned as to 30.0% by Qingdao Xintiandi and 70.0% by Qingdao Xintiandi Waste Appliances and Electronic Products Recycling Limited (青島新天地廢舊家電及電子產品回收處理有限公司) ("**Qingdao Waste Recycling**"), both of which are controlled by Han Qingjie (韓清潔), a substantial shareholder of our subsidiary. On November 18, 2016, Qingdao Xintiandi and Qingdao Waste Recycling transferred their respective equity interests in Shaanxi BE Recycling to Qingdao BE, as a result of which Shaanxi BE Recycling became wholly-owned by Qingdao BE. On November 18, 2016, the registered capital of Shaanxi BE Recycling was increased to RMB26.54 million. As a result of the Reorganization, Qingdao BE became indirectly owned as to 65.0% by our Company, and Shaanxi BE Recycling thus became indirectly owned as to 65.0% by our Company. See "Reorganization" in this section for further details.

Shaanxi BE Recycling commenced business operation in December 2012, and is principally engaged in the provision of waste electrical and electronic equipment treatment services.

REORGANIZATION

The following chart sets forth our corporate and shareholding structure immediately before the Reorganization:



Notes:

(1) Kunming Xishan Urban Construction Investment Development Co., Ltd. is directly wholly-owned by Kunming Xishan Development Investment Group Co., Ltd. (昆明市西山區發展投資集團有限公司), an Independent Third Party.

(2) Both Shao Xinghua (邵興華) and Guo Lei (郭磊) are Independent Third Parties.

(3) BE Zhongkecheng Environmental is indirectly wholly-owned by BEWG.

Incorporation of Offshore Intermediate Companies

BE Urban Services HK was incorporated in Hong Kong as a limited liability company on June 16, 2015. On the same date, one ordinary share was issued and allotted to Full Rich Success Limited ("**Full Rich Success**"), a wholly-owned subsidiary of BEWG, at a subscription price of HK$1.00, which was subsequently transferred to BE Urban Services BVI on August 13, 2015. Upon completion of such issue, allotment and transfer, BE Urban Services HK became wholly-owned by BE Urban Services BVI.

BE Urban Services BVI was incorporated in the BVI as a limited liability company on July 8, 2015. The initial authorized share capital of BE Urban Services BVI was 50,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Full Rich Success, a wholly-owned subsidiary of BEWG, at a subscription price of US$1.00, which was subsequently transferred to Beijing Enterprises City Resources Group Limited (now known as Mind Light)[(Note)] on April 28, 2017. Upon completion of such issue, allotment and transfer, BE Urban Services BVI became wholly-owned by Beijing Enterprises City Resources Group Limited (now known as Mind Light)[(Note)].

Perfect Ease was incorporated in Hong Kong as a limited liability company on July 15, 2015. On the same date, one ordinary share was issued and allotted to Victon Services Limited at a subscription price of HK$1.00, which was subsequently transferred to Mind Light on July 30, 2015. Upon completion of such issue, allotment and transfer, Perfect Ease became wholly-owned by Mind Light.

Mind Light[(Note)] was incorporated in the BVI as a limited liability company on July 16, 2015. The initial authorized share capital of Mind Light was 90,000 ordinary shares of US$1.00 each and one ordinary share was issued and allotted at par to Full Rich Success, a wholly-owned subsidiary of BEWG, which was subsequently transferred to BEWG on January 25, 2016. Upon completion of such issue, allotment and transfer, Mind Light became wholly-owned by BEWG.

Acquisition of and Capital Injection to Certain Onshore Subsidiaries

BE Urban Resources PRC was established in the PRC as a limited liability company on January 22, 2016 with an initial registered capital of RMB250.0 million. As of the date of its establishment, BE Urban Resources PRC was wholly-owned by Perfect Ease.

Note:

This company was incorporated under the name of Mind Light Holdings Limited on July 16, 2015, and changed its name to Beijing Enterprises City Resources Group Limited on February 10, 2017, and then to Beijing Enterprises Urban Resources Group Limited on July 5, 2017, and further to Mind Light Holdings Limited on October 10, 2017.

As part of the Reorganization, we have entered into a number of equity transfer agreements to acquire certain subsidiaries of our Group and also made capital contributions to certain subsidiaries of our Group, the summary of which is set forth below:

	Name of target company	Date of agreement	Date of settlement	Date of completion	Subject matter	Transferor(s)	Transferee	Consideration of the equity transfer and/or amount of capital contribution
1.	BE Urban Services PRC	April 12, 2016	September 14, 2016	October 12, 2016	Transfer of 100% interests	BEWG	BE Urban Services HK (17)	RMB35.29 million (determined with reference to the valuation of the consolidated accounts of the target company as of February 29, 2016)
2.	Guigang Sanitation	February 29, 2016	July 25, 2016	June 28, 2016	Transfer of 100% interests	BE Water Guangxi	BE Urban Resources PRC (18)	RMB6.9 million (determined with reference to the valuation of the consolidated accounts of the target company as of January 31, 2016)
3.	Guigang Medical Waste	February 29, 2016	August 16, 2016	June 28, 2016	Transfer of 100% interests	BE Water Guangxi	BE Urban Resources PRC (18)	RMB5.26 million (determined with reference to the valuation of the consolidated accounts of the target company as of July 31, 2015)
4.	Gansu Huayi	February 29, 2016	November 11, 2016	September 28, 2016	Transfer of 62% interests	BE Zhongkecheng Environmental	BE Urban Resources PRC (18)	RMB220.0 million (determined with reference to the valuation of the consolidated accounts of the target company as of July 31, 2015)
5.	BE Baoding Dingxing	November 28, 2016	February 20, 2017	December 5, 2016	Transfer of 100% interest	BE Water Investment	BE Urban Services PRC (19)	RMB7.35 million (determined with reference to the valuation of the consolidated accounts of the target company as of July 31, 2016)

	Name of target company	Date of agreement	Date of settlement	Date of completion	Subject matter	Transferor(s)	Transferee	Consideration of the equity transfer and/or amount of capital contribution
6.	Qingdao BE [1]	December 8, 2016 and July 22, 2018 [1]	December 26, 2016	December 23, 2016	Transfer of 10% interests and capital contribution [1]	Qingdao Xintiandi [2]	BE Urban Resources PRC [19]	RMB50.0 million for the equity transfer and approximately RMB214.7 million for the capital contribution [1]
7.	Beijing Enterprises Qingdaofu (Beijing) Urban Environmental Services Ltd. (北控清道夫(北京)城市環境服務有限公司) ("**BE Qingdaofu**") [3]	January 13, 2017	N/A [3]	March 16, 2017 (in respect of equity transfer) and May 12, 2017 (in respect of capital contribution)	Transfer of 41% interests and capital contribution	Beijing Jinliangdian Municipal Garden Engineering Ltd. (北京金亮點市政園林工程有限公司) ("**Beijing Jinliangdian**") [4]	BE Urban Services PRC	RMB1 for the equity transfer and RMB2.1 million for the capital contribution [3]
8.	Jiangxi Beijing Enterprises Urban Mineral Co., Ltd. (江西北控城市礦產有限公司) ("**Jiangxi Mineral**")	July 7, 2017	August 25, 2017	August 1, 2017	Transfer of 90% interests	Dowa Eco-System Co., Ltd. (同和環保再生事業有限公司) ("**Dowa Eco-System**") [5]	Qingdao BE	RMB1.0 million (determined after arm's length negotiations between the parties)
9.	Chongqing Binnan [6]	July 26, 2017	N/A [7]	July 27, 2017	Capital contribution	N/A	BE Urban Services PRC	RMB172,350,000 (RMB54,830,000 counted as registered capital and RMB117,520,000 counted as capital reserves)
10.	Ningxia Ruiyuan	January 30, 2018 and March 5, 2018	N/A [8]	March 8, 2018	Transfer of 61% interests	Ningxia Ruiyuan Petrochemical Co. Ltd. [9] (寧夏睿源石油化工有限公司) and Yuan Xueli [10] (遠學力)	Beijing BE Environment [19]	RMB200.0 million (determined with reference to a valuation of the target company conducted by an Independent Third Party valuer)
11.	Jiaxing Innovative Environmental Technology Co., Ltd. (嘉興創新環保科技有限公司) ("**Jiaxing Technology**") [11]	December 20, 2018	N/A [11]	December 26, 2018	Transfer of 30% interests and capital contribution	Heze Mudan Xinyue Environmental Technology Partnership L. P. [12] (菏澤市牡丹區新躍環保科技合夥企業(有限合夥)) ("**Heze Mudan Xinyue**")	Beijing BE Environment	RMB12.0 million for the equity transfer and RMB72.0 million for the capital contribution

	Name of target company	Date of agreement	Date of settlement	Date of completion	Subject matter	Transferor(s)	Transferee	Consideration of the equity transfer and/or amount of capital contribution
12.	Beijing Yingtaike Environmental Construction Technology Co., Ltd. (北京英泰科環境工程技術有限公司) ("**Beijing Yingtaike**") (13)	December 25, 2018	N/A	December 26, 2018	Transfer of 67% interests	Li Zongxuan (李宗軒) (14) and Sun Huifang (孫會芳) (14)	Beijing BE Environment	RMB1 (20)
13.	Guizhou Cenxiang Resources Technology Co., Ltd. (貴州岑祥資源科技有限責任公司) ("**Guizhou Cenxiang**") (15)	December 29, 2018	N/A (14)	December 29, 2018	Transfer of 47.5% interests and capital contribution	Liu Bin (劉斌) (16) and Gong Wenwu (龔文武) (16)	Beijing BE Environment	RMB24.7 million for the equity transfer and RMB52,300,000 for the capital contribution
14.	Yunnan Beijing Enterprises Environmental Services Co., Ltd. (雲南北控環境服務有限公司)	November 30, 2018 and March 18, 2019	August 8, 2019	December 3, 2018	Transfer of 70.0% interests	BE Water Investment	BE Urban Services PRC	RMB21.86 million (determined with reference to a valuation of the target company conducted by an Independent Third Party valuer)

Notes:

(1) Pursuant to an investment agreement dated December 8, 2016 entered into among BE Urban Resources PRC, Qingdao Xintiandi and Han Qingjie (韓清潔), (i) BE Urban Resources PRC agreed to make a capital contribution of approximately RMB523.1 million (subject to valuation adjustment) in Qingdao BE, among which approximately RMB214.8 million would be contributed to its registered capital while the rest would be accounted as its capital reserve; and (ii) BE Urban Resources PRC agreed to acquire 10.0% of the equity interest in Qingdao BE from Qingdao Xintiandi at a consideration of RMB95.1 million (subject to valuation adjustment). The capital contribution and the consideration of equity transfer were determined with reference to the valuation of the consolidated account of the target company as of November 30, 2016. Approximately RMB214.7 million of the capital contribution was settled in cash as of May 30, 2018, and RMB50.0 million of the consideration of the equity transfer was settled in cash as of December 26, 2016. On July 22, 2018, BE Urban Resources PRC, Qingdao Xintiandi and Han Qingjie entered into a supplemental agreement, pursuant to which the capital contribution payable was agreed upon to be approximately RMB214.7 million, and the consideration for the equity transfer was agreed upon to be RMB50.0 million, which were determined after the relevant financial net-offs and arm's length negotiations among the parties. Upon completion of the equity transfer and capital contribution, Qingdao BE became owned as to 65.0% by BE Urban Resources PRC.

(2) Qingdao Xintiandi is directly wholly-owned by Han Qingjie (韓清潔), a substantial shareholder of our subsidiary.

(3) Pursuant to an equity transfer and capital contribution agreement dated January 13, 2017 entered into among BE Urban Services PRC, Beijing Jinliangdian, Liu Junxiang and Zhang Hai Lin, (i) BE Urban Services PRC agreed to acquire 41.0% of the equity interest in BE Qingdaofu from Beijing Jinliangdian at a nominal consideration of RMB1, which was determined after arm's length negotiation; and (ii) BE Urban Services PRC agreed to make a capital contribution of approximately RMB2.1 million in BE Qingdaofu, among which RMB1.02 million would be contributed to its registered capital while the rest would be accounted as its capital reserve. As of August 8, 2017, RMB1.0 million was settled in cash. The rest will be settled pursuant to the equity transfer and capital contribution agreement. Upon completion of the equity transfer and capital contribution, BE Qingdaofu became owned as to 51.0% by BE Urban Services PRC.

(4) Beijing Jinliangdian Municipal Garden Engineering Ltd. (北京金亮點市政園林工程有限公司) is directly wholly-owned by Liu Junxiang (劉俊祥), an Independent Third Party.

(5) Dowa Eco-System is an Independent Third Party.

(6) Chongqing Binnan became owned as to 51.0% by BE Urban Services PRC on July 27, 2017, and was later disposed by BE Urban Services PRC pursuant to a divestment agreement dated August 30, 2019. Please refer to the paragraph headed "Disposal of Chongqing Binnan" in this section.

(7) As of October 16, 2017, a total of RMB68.94 million was settled in cash. For the reason that Chongqing Binnan failed to meet the performance targets in 2017 and 2018 set out in the capital contribution agreement, BE Urban Services PRC is not obliged to pay the remaining consideration. On August 30, 2019, BE Urban Services PRC entered into an agreement to exit the investment in Chongqing Binnan. See "Reorganization — Disposal of Chongqing Binnan" in this section for details.

(8) As of April 3, 2019, approximately RMB144.3 million was settled. The rest is expected to be settled by December 31, 2019.

(9) Ningxia Ruiyuan Petrochemical Co. Ltd. (寧夏睿源石油化工有限公司) is owned as to 60.0% by Li Denghui (李登輝), 21.57% by Cai Chunling (蔡春玲) and 18.43% by Beijing Yichen Industrial Co. Ltd. (北京怡宸實業有限公司), all being Independent Third Parties.

(10) Yuan Xueli (遠學力) is an Independent Third Party.

(11) Pursuant to an investment agreement (the "**Jiaxing Investment Agreement**") dated December 20, 2018 entered into among Beijing BE Environment, Heze Mudan Chuanghui Environmental Technology Partnership L.P. (菏澤市牡丹區創匯環保科技合夥企業(有限合夥)) ("**Heze Mudan Chuanghui**") and Heze Mudan Xinyue, (i) Beijing BE Environment agreed to acquire 30.0% of the equity interest in Jiaxing Technology from Heze Mudan Xinyue at a consideration of RMB12.0 million, which was determined with reference to a valuation conducted by an Independent Third Party valuer; and (ii) Beijing BE Environment agreed to make a further capital contribution of RMB72.0 million to Jiaxing Technology, among which RMB16.24 million would be contributed to its registered capital while the rest would be accounted as its capital reserve. On December 26, 2018, Jiaxing Technology became owned as to 70.0% by Beijing BE Environment. As a result of a breach of certain terms under the investment agreement by Heze Mudan Xinyue, on May 20, 2019, Beijing BE Environment disposed of its entire equity interest in Jiaxing Technology to Heze Mudan Xinyue at a nominal consideration of RMB1 as none of the consideration for the acquisition of Jiaxing Technology was paid at the time of disposal. As advised by our PRC Legal Advisors, (i) the Jiaxing Investment Agreement is valid; and (ii) our Group is not obliged to settle the unpaid consideration for the acquisition of Jiaxing Technology or the agreed capital contribution to Jiaxing Technology on the basis that (a) Heze Mudan Chuanghui, Heze Mudan Xinyue and/or Jiaxing Technology failed to perform certain obligations, which were the prerequisite for the payment of the consideration and capital injection pursuant to the Jiaxing Investment Agreement; and (b) all rights and obligations of Beijing BE Environment have been transferred to Heze Mudan Xinyue upon completion of the disposal.

(12) Heze Mudan Xinyue is a limited partnership with Qian Chaoyong (錢超勇) being an executive partner and Jiang Xiaoqin (江小勤) being a partner, both being Independent Third Parties.

(13) Due to the unsatisfactory performance of Beijing Yingtaike for the six months ended June 30, 2019, pursuant to an equity transfer agreement dated June 30, 2019 entered into between Beijing BE Environment as the transferor and Li Zongxuan (李宗軒) as the transferee in respect of the transfer of 67% equity interest in Beijing Yingtaike by Beijing BE Environment to Li Zongxuan (李宗軒) at a nominal consideration of RMB1, Beijing Yingtaike was no longer our subsidiary since July 2019.

(14) Both Li Zongxuan (李宗軒) and Sun Huifang (孫會芳) are Independent Third Parties.

(15) Pursuant to an investment agreement (the "**Guizhou Investment Agreement**") dated December 29, 2018 entered into among Beijing BE Environment, Liu Bin, Gong Wenwu, Yang Zhengqun and Xiangyang Yuanrui Resources Engineering Technology Co., Ltd. (襄陽遠銳資源工程技術有限公司) ("**Xiangyang Yuanrui**"), (i) Beijing BE Environment agreed to acquire 47.5% of the equity interest in Guizhou Cenxiang from Liu Bin and Gong WenWu at a consideration of RMB24.7 million, which was determined with reference to a valuation conducted by an Independent Third Party valuer; and (ii) Beijing BE Environment agreed to make a further capital contribution of RMB52.3 million to Guizhou Cenxiang, among which approximately RMB6.7 million would be contributed to its registered capital while the rest would be accounted as its capital reserve. On December 29, 2018, Guizhou Cenxiang became owned as to 55.0% by Beijing BE Environment. As a result of a breach of certain terms under the investment agreement by the counterparties of the investment agreement, on May 16, 2019, Beijing BE Environment disposed of its entire equity interest in Guizhou Cenxiang to Yang Zhengqun at a nominal consideration of RMB1 as none of the consideration for the acquisition of Guizhou Cenxiang was paid at the time of disposal. As advised by our PRC Legal Advisors, (i) the Guizhou Investment Agreement is valid; and (ii) our Group is not obliged to settle the unpaid consideration for the acquisition of Guizhou Cenxiang or the agreed capital contribution to Guizhou Cenxiang on the basis that (a) Liu Bin, Gong Wenwu, Yang Zhengqun, Xiangyang Yuanrui and/or Guizhou Cenxiang failed to perform certain obligations, which were the prerequisite for the payment of the consideration and capital injection pursuant to the Guizhou Investment Agreement; and (b) all rights and obligations of Beijing BE Environment have been transferred to Yang Zhengqun upon completion of the disposal.

(16) Both Liu Bin (劉斌) and Gong Wenwu (龔文武) are Independent Third Parties.

(17) At the time of the acquisition, BE Urban Services HK was indirectly wholly-owned by BEWG. As such, the funds for the acquisition was arranged from the internal source of BEWG.

(18) The source of funds for each of the acquisitions was the advances from BEWG, the then shareholder holding 100% of the equity interests in BE Urban Resources PRC, which had been settled by the end of 2016.

(19) The source of funds for the acquisition was from the Pre-IPO Investments.

(20) The nominal consideration was determined after arm's length negotiation given that none of the registered capital of Beijing Yingtaike had been paid as of December 25, 2018.

Our PRC Legal Advisors are of the view that the above equity transfers and capital contributions are complete and valid.

Capital Increase in Mind Light

On May 17, 2016, the shares of Mind Light were redenominated from the par value of US$1.00 per share to HK$1.00 per share.

On December 7, 2016, Mind Light entered into a number of subscription agreements with BEWG (the then shareholder holding 100% share capital of Mind Light), AID, Benefit Sharp (as the nominee for Shanghai Ziyue), HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Maolin, Star Colour and Zhihua, respectively, pursuant to which BEWG, AID, Benefit Sharp (as the nominee for Shanghai Ziyue), HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Maolin, Star Colour and Zhihua conditionally agreed to subscribe for, and Mind Light conditionally agreed to allot and issue the following shares for an aggregate consideration of HK$899,999,999 in two tranches. The summary of the first tranche subscriptions is set forth below:

Name of shareholder	Subscription of shares	Consideration	Date of settlement	Approximate equity interest
		(HK$)		*(%)*
BEWG	15,749	126,499,999	December 28, 2016	35.00
Benefit Sharp (as the nominee of Shanghai Ziyue)	4,805	40,957,153	December 15, 2016	10.68
Maolin	816	12,876,229	December 15, 2016	1.81
Star Colour	1,747	27,568,006	December 14, 2016	3.88
Zhihua	1,632	25,752,458	December 14, 2016	3.63
AID (now known as Genius Link)	14,850	158,653,846	December 16, 2016	33.00
HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio)	5,400	57,692,308	December 19, 2016	12.00

The summary of the second tranche subscriptions is set forth below:

Name of shareholder	Subscription of shares	Consideration	Date of settlement	Approximate equity interest
		(HK$)		*(%)*
BEWG	15,750	157,500,000	December 28, 2016	35.00
Benefit Sharp (as the nominee of Shanghai Ziyue)	4,805	64,295,000	December 15, 2016	10.68
Maolin	816	5,000,000	December 15, 2016	1.81
Star Colour	1,747	10,705,000	December 23, 2016	3.88
Zhihua	1,632	10,000,000	December 14, 2016	3.63
AID (now known as Genius Link)	14,850	148,500,000	December 21, 2016	33.00
HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio)	5,400	54,000,000	December 29, 2016	12.00

The first tranche subscription and the second tranche subscription was completed on December 7, 2016 and December 29, 2016, respectively.

On March 29, 2018, Mind Light entered into a number of subscription agreements with BEWG, Genius Link, Maolin, Star Colour and Zhihua, respectively, pursuant to which BEWG, Genius Link, Maolin, Star Colour and Zhihua conditionally agreed to subscribe for, and Mind Light conditionally agreed to allot and issue a total of 34,795 shares for an aggregate consideration of HK$347,950,000. On April 25, 2018, Mind Light increased its authorized share capital from 90,000 shares of HK$1.00 each to 135,000 shares of HK$1.00 each through the allotment and issue of an aggregate of 45,000 new ordinary shares. On August 3, 2018, Mind Light entered into a subscription agreement with Glowing Trend, pursuant to which Glowing Trend conditionally agreed to subscribe for and Mind Light conditionally agreed to allot and issue 10,205 new shares for a consideration of HK$102,050,000. The summary of the subscriptions is set forth below:

Name of shareholder	Subscription of shares	Consideration	Date of settlement	Approximate equity interest
		(HK$)		*(%)*
BEWG	15,750	157,500,000	December 11, 2017 [(1)]	35.00
Maolin	816	8,160,000	December 19, 2017 [(1)]	1.81
Star Colour	1,747	17,470,000	January 3, 2018	3.88
Zhihua	1,632	16,320,000	November 27, 2017 [(1)]	3.63
Genius Link [(2)]	14,850	148,500,000	December 18, 2017 [(1)]	33.00
Glowing Trend	10,205	102,050,000	November 20, 2018	7.56

Upon completion of the capital increases on November 20, 2018, Mind Light became owned as to 35.00% by BEWG, 7.12% by Shanghai Ziyue [(3)], 1.81% by Maolin, 3.88% by Star Colour, 3.63% by Zhihua, 33.00% by Genius Link, 8.00% by HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio) and 7.56% by Glowing Trend.

Notes:

(1) All of BEWG, Maolin, Zhihua and Genius Link settled their respective considerations before December 31, 2017 and prior to entering into their respective subscription agreements. The payment of the considerations were treated as balances due to shareholders as of December 31, 2017 and were fully settled on November 20, 2018 when the shares of Mind Light were issued to BEWG, Maolin, Zhihua and Genius Link, respectively. See "Financial Information — Amount Due to Related Companies and Shareholders" for further details.

(2) Genius Link changed its name from AID Utilities L.P. on May 15, 2018.

(3) The nominee arrangement was canceled pursuant to an instrument of transfer dated May 11, 2018.

Cost per share paid by Shanghai Ziyue was approximately HK$0.55, which was calculated by dividing the total investments made by Shanghai Ziyue in Mind Light in December 2016 by the total number of Shares held by Shanghai Ziyue immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 26.7%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Shanghai Ziyue is a limited partnership established under the laws of the PRC on February 5, 2016 with Zhao Zhen (趙貞) as its executive partner, Zhao Zhen (趙貞) and Yan Youhui (閆友暉) as its general partners, and Zhao Kexi (趙克喜), Liu Yuqiong (劉玉琼), Wang Jianli (王建利), Zhang Hailin (張海林), Chen Liping (陳麗萍) and Huang Wenlong (黃文龍) as its limited partners, among whom Zhao Kexi and Zhang Hailin are our executive Directors and the rest are the employees of the subsidiaries of BEWG and are Independent Third Parties. Zhao Zhen is the office director (辦公室負責人) of BEWG. Yan Youhui is the legal director (法務總監) of BEWG, a director of five subsidiaries of BEWG and a supervisor of 36 subsidiaries of BEWG. Huang Wenlong is the general manager of the strategic development center of BEWG, a director and general manager of one subsidiary of BEWG, and a director of another six subsidiaries of BEWG. Liu Yuqiong is a director of the construction management center (建設管理中心造價總監) of BEWG. Wang Jianli is the construction director (建設總監) of BEWG, a director of 20 subsidiaries of BEWG, a supervisor of one subsidiary of BEWG and the general manager of one subsidiary of BEWG. Chen Liping is a deputy general manager in charge of the water environment section in central China of BEWG and a director of four subsidiaries of BEWG. As of the Latest Practicable Date, Shanghai Ziyue is owned as to approximately 10% by Zhao Zhen, 10% by Yan Youhui, 20% by Zhao Kexi, 15% by Liu Yuqiong, 15% by Wang Jianli, 10% by Zhang Hailin, 10% by Chen Liping and 10% by Huang Wenlong. Shanghai Ziyue is principally engaged in investment holding.

Cost per share paid by Maolin was approximately HK$0.53, which was calculated by dividing the total investments made by Maolin in Mind Light in December 2016 and November 2018 by the total number of Shares held by Maolin immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 29.3%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Maolin was a company incorporated in the BVI with limited liability and wholly-owned by Li Haifeng, our non-executive Director. Maolin is principally engaged in investment holding. See "Directors and Senior Management" for the background of Li Haifeng.

Cost per share paid by Star Colour was approximately HK$0.53, which was calculated by dividing the total investments made by Star Colour in Mind Light in December 2016 and November 2018 by the total number of Shares held by Star Colour immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 29.3%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Star Colour was a company incorporated in the BVI with limited liability and wholly-owned by Zhou Min, our chairman and non-executive Director. Star Colour is principally engaged in investment holding. See "Directors and Senior Management" for the background of Zhou Min.

Cost per share paid by Genius Link was approximately HK$0.51, which was calculated by dividing the total investments made by Genius Link in Mind Light in December 2016 and November 2018 by the total number of Shares held by Genius Link immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 32.0%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Genius Link is an exempted partnership registered in the Cayman Islands (which changed its name from AID Utilities L.P.) with Mr. Chang Tat Joel as its limited partner and is managed by Genius Link Utilities GP Limited. It is a direct investment under Brilliant Champ Investments Limited, which is ultimately wholly-owned by Mr. Chang Tat Joel, one of our substantial shareholders. Mr. Chang has years of experience in investment, manages various private equity investments and has served as an independent non-executive director in various companies listed on the Stock Exchange. He is currently serving as an executive director and chief operating officer of Mason Group Holdings Limited ("**Mason**"), a company listed on the Main Board of the Stock Exchange (stock code: 273). Mr. Chang was acquainted with certain senior management of BEWG. When BEWG considered introducing investors to Mind Light, Mr. Chang considered there to be strong potential in the PRC waste management industry and decided to enter this market. Accordingly, Mr. Chang, through Genius Link, invested in our Company using his personal resources. Save for (i) the joint investment made by Mr. Chang and a senior management of BEWG in Kong Sun Holdings Limited and an Australia-based producer of canola oil; (ii) Mr. Fung Che Wai, Anthony's former employment and Mr. Wu Tak Kong's current service as a non-executive director with Kong Sun Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 295) where Mr. Chang was a non-executive director; and (iii) the past or present directorship held by Mr. Chang and the Investor (as defined below) in Mason, to the best knowledge of our Directors, as of the Latest Practicable Date, neither Genius Link nor Mr. Chang Tat Joel had any past or present relationship (business, employment or otherwise) with our Company, our subsidiaries, the directors, shareholders, senior management or any of their respective associates, other than being one of our Company's Pre-IPO Investors.

Cost per share paid by HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio) was approximately HK$0.52, which was calculated by dividing the total investments made by HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio) in Mind Light in December 2016 by the total number of Shares held by HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio) immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 30.7%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. HNW Investment Fund is a company incorporated in the Cayman Islands with limited liability whose voting shares are wholly-owned by CCB International Asset Management Limited ("**CCBI**"), an Independent Third Party, and non-voting shares attributable to PF Fund Segregated Portfolio are ultimately owned by Mr. Tong Tang Joseph (the "**Investor**") who has years of experience in investment. The Investor solely contributed to the initial capital of PF Fund Segregated Portfolio, and is also the sole ultimate beneficiary of the economic interests of PF Fund Segregated Portfolio's investment in our Company. CCBI has full authority to manage PF Fund Segregated Portfolio, and the Investor is not involved in any investment decisions or the operations of HNW Investment Fund. The principal business of CCBI is asset management (portfolio management) and direct investment. BEWG reached out to CCBI when it considered introducing investors to Mind Light. CCBI approached the Investor and it was agreed that the Investor would invest in Mind Light through a segregated portfolio company of CCBI. Save for the subscription agreement entered into between the Investor and HNW Investment Fund in respect of the investment in PF Fund Segregated Portfolio, there is no other agreement or arrangement in respect of PF Fund Segregated Portfolio between the Investor and HNW Investment Fund or CCBI. HNW Investment Fund had not made any other investment in our Company for and on behalf of any portfolios other than PF Fund Segregated Portfolio. Save for the past or present directorships held by (i) Mr. Chang and the Investor in Mason; and (ii) Mr. Li Haifeng, our non-executive Director and the Investor in Carry Wealth Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 643)), to the best knowledge of our Directors, as of the Latest Practicable Date, neither HNW Investment Fund nor the Investor had any relationship (whether present or during the past five years) (business, employment or otherwise) with our Company, our subsidiaries, the directors, shareholders, senior management or any of their respective associates, other than the investment in our Company. Other than the investment in our Company, PF Fund Segregated Portfolio has no other investment.

Cost per share paid by Zhihua was approximately HK$0.53, which was calculated by dividing the total investments made by Zhihua in Mind Light in December 2016 and November 2018 by the total number of Shares held by Zhihua immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 29.3%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Zhihua was a company incorporated in the BVI with limited liability and wholly-owned by Hu Xiaoyong (胡曉勇), a director of the subsidiaries of BEWG and an Independent Third Party. Zhihua is principally engaged in investment holding.

Cost per share paid by Glowing Trend was approximately HK$0.50, which was calculated by dividing the total investments made by Glowing Trend in Mind Light in November 2018 by the total number of Shares held by Glowing Trend immediately following the completion of the Global Offering. Its discount to the Offer Price was approximately 33.3%, which was calculated based on the assumption that the Offer Price is HK$0.75 per Share, being the approximate mid-point of the indicative Offer Price Range. Glowing Trend was a company incorporated in the BVI with limited liability and wholly-owned by Zhang Yao (張垚), an Independent Third Party. Glowing Trend is principally engaged in investment holding. Glowing Trend, a wholly-owned company of Mr. Zhang Yao, is a client of CMB Wing Lung Asset Management Limited, a subsidiary of CMB Wing Lung Bank Limited, which has business relationship with both BEWG and our Group. Mr. Zhang has experience in capital market and was introduced to this investment opportunity by CMB Wing Lung Asset Management Limited, as he was looking for investment opportunities in the PRC and is optimistic about the growth of the environmental protection industry in the PRC. Considering the prospects of our business, Mr. Zhang, through Glowing Trend, invested in our Company using his personal resources. To the best knowledge of our Directors, as of the Latest Practicable Date, neither Glowing Trend nor Mr. Zhang Yao had any past or present relationship (business, employment or otherwise) with our Company, our subsidiaries, the directors, shareholders, senior management or any of their respective associates, other than being one of our Company's Pre-IPO Investors.

Shanghai Ziyue, Maolin, Star Colour, Genius Link, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Zhihua and Glowing Trend are collectively regarded as the pre-IPO investors (the "**Pre-IPO Investors**"), and the capital contributions made by the Pre-IPO Investors are collectively regarded as the pre-IPO investments (the "**Pre-IPO Investments**").

The considerations of the Pre-IPO Investments were determined based on arm's length negotiations among the relevant parties taking into consideration, among other things, our business development and future prospect. The funds raised from the Pre-IPO Investments were primarily used for (i) the acquisition of Qingdao BE, BE Baoding Dingxing and Ningxia Ruiyuan; (ii) the purchase of property, plant and equipment, including garbage trucks and other sanitation vehicles; and (iii) our working capital and general corporate purposes. As of the Latest Practicable Date, the funds raised from the Pre-IPO Investments have been fully utilized. We benefit from our shareholders' commitment to our Group as their investment demonstrates their confidence in its operations.

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), save for the Shares held by Maolin, Star Colour and Genius Link, the Shares held by the remaining Pre-IPO Investors will count towards the public float of our Company according to Rule 8.08 of the Listing Rules.

Our Directors confirm that pursuant to the subscription agreements entered into between Mind Light and the Pre-IPO Investors, (i) no special rights were granted to any of the Pre-IPO Investors; and (ii) none of the shares held by the Pre-IPO Investors will be subject to any lock-up after the Listing.

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form to the Stock Exchange in relation to the Listing; and (ii) no special rights were granted to the Pre-IPO Investors, the Joint Sponsors have confirmed that the investments of the Pre-IPO Investors are in compliance with the Guidance Letter HKEx-GL-29-12 (issued by the Stock Exchange in January 2012 and as updated in March 2017), the Guidance Letter HKEx-GL43-12 (issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017) and the Guidance Letter HKEx-GL44-12 (issued by the Stock Exchange in October 2012 and as updated in March 2017).

Disposal of non-core business

As part of the Reorganization, certain companies which are not within our core business were disposed of, as these companies were principally engaged in businesses different to our core business.

Disposal of BE Zhongkecheng Investment

BE Zhongkecheng Investment was established in the PRC as a limited liability company on February 2, 2016 and was owned as to 40.0% by BE Urban Services PRC. BE Zhongkecheng Investment is an investment holding company.

As part of the Reorganization and with a view to focusing our resources on our core business, on May 22, 2017, BE Urban Services PRC transferred its 40.0% equity interest in BE Zhongkecheng Investment to BE Zhongkecheng Environmental at a consideration of RMB50,000. The consideration was determined after arm's length negotiation, which was fully settled in cash by BE Zhongkecheng Environmental on June 27, 2017. Upon completion of such transfer, BE Urban Services PRC ceased to hold any equity interest in BE Zhongkecheng Investment.

Disposal of Gansu Huayi

Gansu Huayi was established in the PRC as a limited liability company on August 8, 2008 and is principally engaged in the business of waste electrical and electronic equipment treatment. Gansu Huayi was acquired by our Group pursuant to an equity transfer agreement dated February 29, 2016 in anticipation of expanding our waste electrical and electronic equipment treatment business. See "— Reorganization — Acquisition of and capital injection to certain onshore subsidiaries" in this section for further details.

Gansu Huayi had been included in the List of Enterprises Subsidized by the National Waste Electronic Appliance and Digital Product Disposal Fund (廢棄電器電子產品處理基金補貼企業名單) (the "**List**") in December 2013. During the Track Record Period, Gansu Huayi (i) possessed the Qualification for the Disposal of Waste Electrical Appliances and Electronic Products; (ii) dismantled waste electrical appliances and electronic products which fall within the Treatment Catalog for Waste Electrical Appliances and Electronic Products (《廢棄電器電子產品處理目錄》); and (iii) submitted the statement of dismantling of waste electrical appliances and electronic products (廢棄電器電子產品拆解處理情況表) to Gansu Environment Bureau in accordance with relevant PRC laws and regulations. However, Gansu Huayi had not received any government subsidies since December 2016 and up to the date of the disposal. It only came to Gansu Huayi's attention in July 2017 that it did not pass the government's technical review (which is part of the relevant governmental review and approval process and a pre-requisite for the receipt of government subsidies) for waste electronic appliance and digital product dismantling services which it provided since January 2016.

Our Directors are of the view that Gansu Huayi's failure to pass the relevant technical review might be related to its relocation in July 2015. Because of its relocation, Gansu Huayi had to pass inspections conducted by the following authorities at its new site: (i) the environmental bureaus of Gansu and Lanzhou (the "**Gansu Inspection**"); and (ii) the PRC Ministry of Ecology and Environment (the "**MEE Inspection**"), both in relation to the qualification for disposal of waste electrical appliances and electronic products (the "**Qualification**").

The Gansu Inspection was completed on July 28, 2015 and the relevant government bureaus were satisfied that Gansu Huayi complied with the relevant requirements set out in Guidance on Review of the Dismantling of Waste Electrical Appliance and Electronic Products (《廢棄電器電子產品拆解處理情況審核工作指南》) (the "**Review Guidance**") and a renewed certificate for the Qualification was issued to Gansu Huayi accordingly.

However, the MEE Inspection had not been carried out as of the Latest Practicable Date, despite the fact that the Gansu Environmental Protection Bureau had applied to the PRC Ministry of Ecology and Environment for the MEE Inspection several years ago on July 30, 2015. Our Directors are of the view that, the prolonged delay in the MEE Inspection was not due to any material non-compliance by Gansu Huayi, as it has been consistently able to renew its certificate for the Qualification. Instead, we understand that the MEE Inspection (in respect of the new sites of enterprises which were relocated) has been temporarily suspended from 2016 to 2019, and will be resumed in the near future. Our Directors and senior management could not have, prior to Gansu Huayi's relocation, foreseen the prolonged process of the MEE Inspection because such suspension of the MEE Inspection has never been publicly announced.

Moreover, our Directors believe that the prolonged process of MEE inspection for Gansu Huayi is not an isolated case in the industry as a number of companies engaged in similar business have also been removed from the List due to relocation, based on the List published by the Solid Waste and Chemicals Management Centre (固體廢物與化學品管理技術中心) of the MEE.

At the time of the acquisition of Gansu Huayi, the management of our Group expected that Gansu Huayi would receive and continue to have the support of government subsidies. However, we had experienced continuous delay in collection of government subsidy, which resulted in increasing loss from its operations. As such, in early 2018, we revisited our decision, and decided to focus our resources on our core business, namely environmental hygiene services and hazardous waste treatment services. Additionally, BEWG is of the view that, given its close relationship with the local government, it is in a better position to assist Gansu Huayi to obtain the payment of government subsidies. As a result, we agreed with BEWG to sell Gansu Huayi back to BE Zhongkecheng Environmental. On June 30, 2018, BE Urban Resources PRC disposed of its 62.0% equity interest in Gansu Huayi to BE Zhongkecheng Environmental at a consideration of approximately RMB234.4 million. The consideration was determined after arm's length negotiation with reference to the valuation of the management accounts of Gansu Huayi as of April 30, 2018, which was fully settled in cash by BE Zhongkecheng Environmental on January 22, 2019. The valuation was prepared by Beijing North Asia Asset Assessment Firm (Special General Partnership) ("**Beijing North Asia**"), an independent valuer, based on the income-based approach with the following key assumptions and bases: (i) there will be an open market on which the equity interest of Gansu Huayi can be traded; (ii) there will be no interruption of the operations of Gansu Huayi; (iii) there will be no material changes in the existing legal, regulatory, political, economic and social conditions in the PRC; (iv) there will be no material changes in the credit policies or the bases or rates of taxation in the PRC; (v) there will be no unforeseen circumstances beyond the control of Gansu Huayi which will have a material adverse effect on the results of operations of Gansu Huayi; (vi) there will be no significant changes in the principal activities and management structure currently adopted by Gansu Huayi; and (vii) all materials provided in relation to the operations of Gansu Huayi are true and valid. Upon completion of such transfer, BE Urban Resources PRC ceased to hold any equity interest in Gansu Huayi. The costs and expenses relating to our continuing operations during the Track Record Period were borne by our Group, rather than by the discontinued operation, any related party or connected person of our Group, or any other third party without being recharged to our Group. Save as disclosed in "Business — Non-compliance — Non-compliance Incidents of our Discontinued Operation" and "Business — Legal Proceedings and Compliance — Legal Proceedings of our Discontinued Operation", during the Track Record Period and up to the Latest Practicable Date, Gansu Huayi was not subject to any material non-compliance incidents, claims, litigation or legal proceedings (whether actual or threatened).

Our PRC Legal Advisors are of the view that the above equity transfers are complete and valid.

To ensure continuation in (i) compliance with applicable laws and regulations; and (ii) validity of necessary licenses and permits after relocation, as part of our Group's internal control measures, companies of our Group are required to submit detailed proposal to the headquarters for approval before any relocation of facilities. Such proposal should include a study of applicable laws and regulations where the facilities are to be relocated, which should be based on consultation with external legal advisers and local government bureaus (if applicable).

Disposal of Chongqing Binnan

Chongqing Binnan was established in the PRC as a limited liability company on August 16, 2008 and is principally engaged in the provision of environmental hygiene services. Chongqing Binnan was acquired by our Group pursuant to a capital contribution agreement dated July 26, 2017 and became owned as to 51.0% by BE Urban Services PRC on July 27, 2017. See "Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries" in this section for further details.

For the reason that Chongqing Binnan failed to meet the performance targets in 2017 and 2018 set out in the capital contribution agreement, on August 30, 2019 (as supplemented on March 21, 2018), BE Urban Services PRC entered into an agreement with Li Peng (李鹏), the minority shareholder of Chongqing Binnan, pursuant to which BE Urban Services PRC will exit its investment in Chongqing Binnan and receive the consideration of approximately RMB75.3 million, which was determined with reference to the capital contributed by BE Urban Services PRC in August and October 2017 and on arm's length negotiation. The consideration has been fully settled. Upon completion of the disposal on October 21, 2019, Chongqing Binnan was no longer our subsidiary.

Save as disclosed in the sections headed "Business — Non-compliance" and "Business — Health and Safety" in this Prospectus, Chongqing Binnan was not subject to any material non-compliance incidents, claims, litigation or legal proceedings (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

Incorporation of our Company

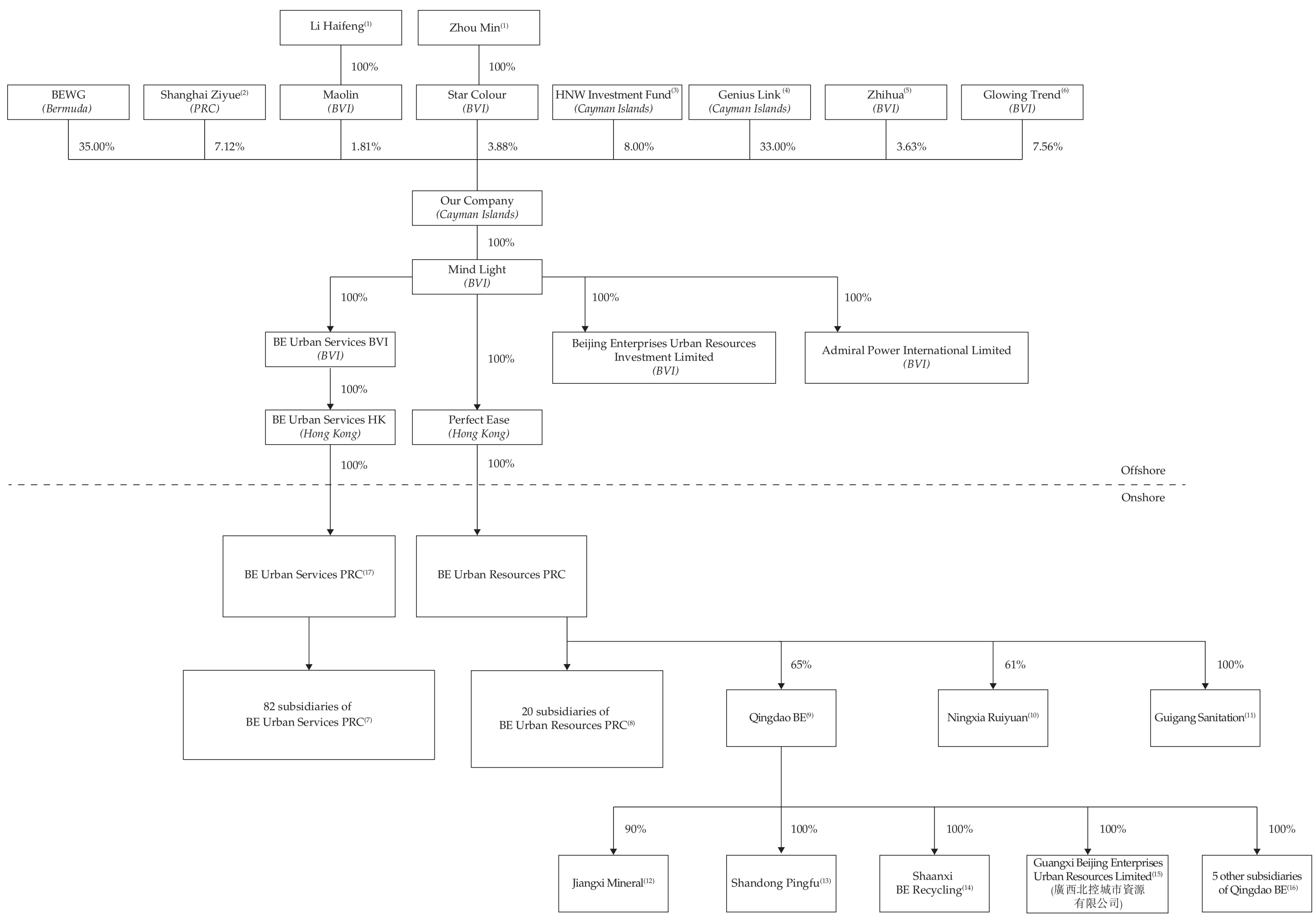
Our Company was incorporated in the Cayman Islands as an exempted company on March 26, 2019 as the holding company of all the businesses and operations of our Group. The authorized share capital of our Company was HK$3,000,000,000 divided into 30,000,000,000 Shares of HK$0.1 each. Upon incorporation, one Share was allotted and issued at par to the initial subscriber which was transferred to BEWG on the same date and a further of 4,724,999,999 Shares, 961,000,000 Shares, 244,800,000 Shares, 524,100,000 Shares, 1,080,000,000 Shares, 1,020,500,000 Shares, 4,455,000,000 Shares and 489,600,000 Shares were allotted and issued as nil paid at par to BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua, respectively. Upon completion of such allotment and issuance, our Company was held as to 35.00% by BEWG, 7.12% by Shanghai Ziyue, 1.81% by Maolin, 3.88% by Star Colour, 8.00% by HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), 7.56% by Glowing Trend, 33.00% by Genius Link and 3.63% by Zhihua, respectively.

Acquisition of Mind Light by way of share swap and surrender of Shares

On March 26, 2019, our Company acquired all the issued shares of Mind Light from its respective shareholders. In consideration of the acquisition, the 13,500,000,000 Shares held by each of BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua were all credited as fully paid on March 26, 2019. The consideration of such transfers was determined after arm's length negotiations. Upon completion of the acquisition, Mind Light became a wholly-owned subsidiary of our Company.

Pursuant to a shareholders' resolution dated April 15, 2019 and a directors' resolution dated April 15, 2019, a total of 10,800,000,000 Shares were surrendered by the current shareholders, which were subsequently canceled. Upon completion of the surrender of Shares, the issued share capital of our Company became 2,700,000,000 Shares of HK$0.1 each and the shareholding percentages by each of the current Shareholders remained the same.

The following chart sets forth our corporate and shareholding structure immediately after the Reorganization, but before the completion of the Global Offering:



(1) Li Haifeng is our non-executive Director and Zhou Min is our chairman and non-executive Director. See "Directors and senior management" for their respective biographical information.

(2) Shanghai Ziyue is a limited partnership established in the PRC with Zhao Zhen as its executive partner, Zhao Zhen and Yan Youhui as its general partners, and Zhao Kexi, Liu Yuqiong, Wang Jianli, Zhang Hailin, Chen Liping and Huang Wenlong as its limited partners, among whom Zhao Kexi and Zhang Hailin are our executive Directors while the rest are the employees of the subsidiaries of BEWG and Independent Third Parties. See "Directors and senior management" for the biographical information of Zhao Kexi and Zhang Hailin.

(3) The voting shares of HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio) are wholly-owned by CCB International Asset Management Limited, an Independent Third Party.

(4) Genius Link is an exempted partnership registered in the Cayman Islands with Chang Tat Joel as its limited partner and is managed by Genius Link Utilities GP Limited, which is ultimately wholly-owned by Chang Tat Joel, one of our substantial shareholders.

(5) Zhihua is wholly-owned by Hu Xiaoyong, a director of the subsidiaries of BEWG and an Independent Third Party.

(6) Glowing Trend is wholly-owned by Zhang Yao, an Independent Third Party.

(7) As of the Latest Practicable Date, these included 39 wholly-owned subsidiaries and 43 non-wholly-owned subsidiaries principally engaged in the provision of environmental hygiene services. Among the 43 non-wholly-owned subsidiaries, all of the minority shareholders are Independent Third Parties.

(8) As of the Latest Practicable Date, these included 11 wholly-owned subsidiaries and nine non-wholly-owned subsidiaries principally engaged in the provision of hazardous waste treatment services. Among the nine non-wholly-owned subsidiaries, all of the minority shareholders are Independent Third Parties.

(9) Qingdao BE, a company principally engaged in the provision of hazardous waste treatment services, is also owned as to 35.0% by Han Qingjie, a substantial shareholder of our subsidiary.

(10) Ningxia Ruiyuan, a company principally engaged in the provision of hazardous waste treatment services, is also owned as to 16.7% by Yuan Tengfei, a substantial shareholder of our subsidiary, 8.5% by Yuan Mingfei, a director of our subsidiary, 8.3% by Yuan Xueli and 5.5% by Ma Qiuyuan, both being Independent Third Parties.

(11) Guigang Sanitation is principally engaged in the provision of environmental hygiene services.

(12) Jiangxi Mineral, a company principally engaged in the provision of waste electrical and electronic equipment treatment services, is also owned as to 10.0% by Yujiang Huangxing Investment Limited (余江縣潢興投資有限公司), an Independent Third Party.

(13) Shandong Pingfu is principally engaged in the provision of hazardous waste treatment services.

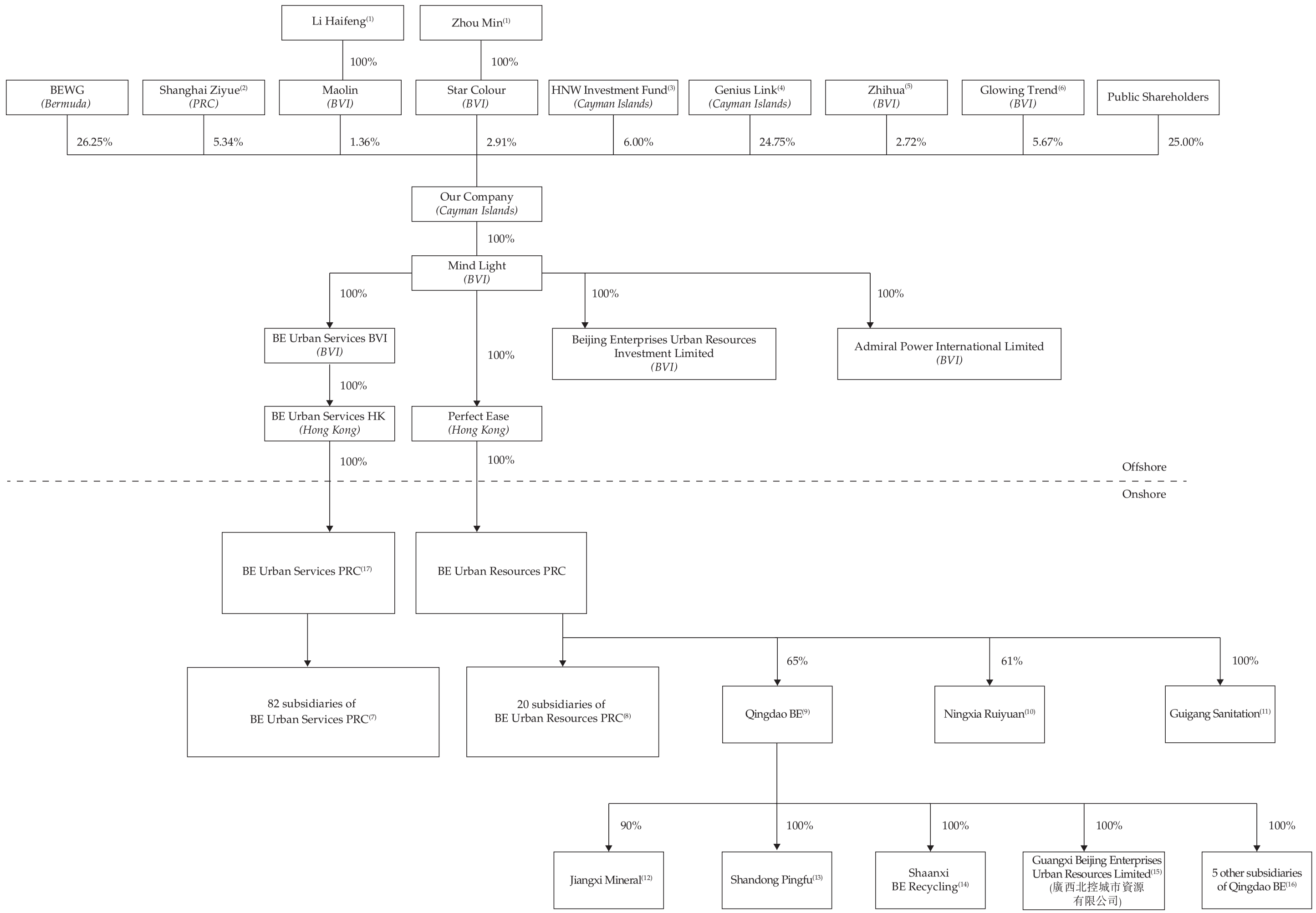
(14) Shaanxi BE Recycling is principally engaged in the provision of waste electrical and electronic equipment treatment services.

(15) Guangxi Beijing Enterprises Urban Resources Limited (廣西北控城市資源有限公司) is principally engaged in the provision of waste electrical and electronic equipment treatment services.

(16) As of the Latest Practicable Date, these included three wholly-owned subsidiaries and two non-wholly-owned subsidiaries of Qingdao BE, which are principally engaged in the provision of hazardous waste treatment services. All of the minority shareholders of the two non-wholly-owned subsidiaries are Independent Third Parties.

(17) BE Urban Services PRC disposed its interests in Chongqing Binnan and its subsidiaries pursuant to a divestment agreement dated August 30, 2019. Please refer to the paragraph headed "Disposal of Chongqing Binnan" in this section for further details.

The following chart sets forth our corporate and shareholding structure upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



For footnotes (1) to (17), see page 125 for details.

SAFE AND ODI REGISTRATION

Pursuant to the Administrative Measures on Overseas Investments (《境外投資管理辦法》) ("**ODI Rules**"), a domestic institution shall undergo registration procedure for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with relevant authorities prior to its overseas direct investment and obtain relevant recordation, approval, certificate or permit.

Pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**Circular 13**"), SAFE canceled the foreign exchange registration approval under the overseas direct investment. The aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As confirmed by our PRC Legal Advisors, the relevant ultimate PRC corporate shareholder of our Company, namely Shanghai Ziyue, has completed the overseas direct investment registration with the local MOFCOM in May 2016 pursuant to the ODI Rules in relation to its offshore investments as domestic institutions.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, SAIC, CSRC and SAFE, jointly issued the M&A Rules (《關於外國投資者併購境內企業的規定》), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

As advised by our PRC Legal Advisors, BE Urban Services PRC and BE Urban Resources PRC, both being foreign-invested enterprises established by foreign investors, are not foreign-invested enterprises converted from non-foreign invested enterprises through equity acquisition, and are thus not subject to the approval requirements under the M&A Rules. Further, the equity acquisitions of onshore subsidiaries by BE Urban Services PRC and BE Urban Resources PRC, both being PRC-established companies, were not subject to the M&A Rules. Accordingly, the said acquisition is not subject to any prior approval from the MOFCOM nor the CSRC under the M&A Rules. However, as advised by our PRC legal advisor, as there has been no official interpretation or clarification of the CSRC approval requirement under the M&A Rules, there is uncertainty as to how the relevant clause will be interpreted or implemented.

OVERVIEW

We are an integrated waste management solution provider in China, currently focusing on providing environmental hygiene services and hazardous waste treatment services. The markets for both services are highly fragmented in China. The environmental hygiene services market comprises two sectors based on the type of service provider, namely the government agency sector, where the service providers are local government agencies, and the enterprise sector, where the service providers consist of enterprises (whether state-owned or non-state owned). In 2018, the market size of the enterprise sector amounted to approximately RMB101.1 billion, representing approximately 38.6% of the total environmental hygiene services market. We are the fourth largest provider in the enterprise sector of the environmental hygiene services market in China in terms of 2018 revenue, with a market share of 1.6% of the enterprise sector and 0.6% overall, according to the F&S Report. In the hazardous waste treatment services market, in terms of total designed treatment capacity for waste disposal of projects in operation (including projects in trial operation), we ranked sixth in China at the end of 2018 with a market share of 0.7%, according to the same source.

Our environmental hygiene services have been expanding rapidly. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we had one, 71, 106 and 112 revenue-generating environmental hygiene service projects, respectively. As of June 30, 2019, environmental hygiene service projects that we operated covered 23 provinces, municipalities and autonomous regions. In addition, 47 of these projects had total contract value exceeding RMB100 million. The environmental hygiene service market in China has experienced significant growth in recent years, driven by factors such as (i) the continued increase in outsourcing of such services by China's local government agencies to enterprises; and (ii) continued demand for higher standard of quality of living environment by the Chinese population, according to the F&S Report. We believe that our local knowledge, reputation and connections have positioned us well to benefit from such growth.

As of June 30, 2019, we had five hazardous waste treatment projects in operation and two hazardous waste treatment projects in trial operation. As of December 31, 2018, treatment facilities of our projects that engaged in waste disposal had a total designed treatment capacity of 253,050 tons per annum, ranking sixth in China, according to the F&S Report. Treatment facilities of the other projects that engaged in recycling and reuse had a total designed treatment capacity of 340,000 tons per annum, as of the same date. We believe that our in-depth experience and capabilities have distinguished us from our competitors in this market in various aspects. First, we have a broad range of technical capabilities. Our treatment methods include all four of the major methods currently available on the market. Among the 46 major categories of hazardous waste under the National Catalog of Hazardous Waste (國家危險廢物名錄), we are qualified to treat 38 categories. In addition, we have a proven track record of compliance with environmental and safety laws in all material respects, which we believe is attributable in significant part to our management's experience and capabilities. With increasingly stringent environmental regulations imposed by the PRC government, a number of regions in China face shortages in hazardous waste treatment facilities.

We believe we have benefited from strong support from BEWG and BEHL as our shareholders. Both BEWG and BEHL are Hong Kong Stock Exchange listed companies. We believe that our shareholders' nationwide customer base, reputation and brand recognition have contributed and will continue to contribute to our expansion strategy.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our revenue from continuing operations amounted to HK$24.6 million, HK$912.4 million, HK$2,211.8 million and HK$1,475.3 million, respectively. Net profit from our continuing operations amounted to HK$19.2 million, HK$64.9 million, HK$213.9 million and HK$154.3 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively.

COMPETITIVE STRENGTHS

We believe the following competitive strengths enable us to succeed and distinguish us from our competitors.

Uniquely-positioned waste management solution provider with complementary and synergistic businesses

We are uniquely-positioned as one of a select group of major waste management service providers in China that operate in both environmental hygiene service market and hazardous waste treatment market, according to the F&S Report, which we believe benefits us in the following aspects:

- *"One-stop solution" solid waste service provider*. Our environmental hygiene services primarily target at municipal solid waste, whereas our hazardous waste treatment services primarily target at industrial waste. With the issuance of the work plan for the zero-waste city pilot project (《「無廢城市」建設試點工作方案》) by the State Council in December 2018, the PRC government is expected to promote the construction of zero-waste cities that aims to minimize the amount of waste produced, strengthen recycling programs and ensure that hazard-free waste disposal by 2020. Both our environmental hygiene services and our hazardous waste treatment business are offered consistent with these objectives. While the local governments engage us to provide environmental hygiene services in an area, they may introduce us to provide hazardous waste treatment services to the industrial companies in the same area. Thus, our ability to offer one-stop solution in treating both municipal solid waste and industrial waste via our environmental hygiene services and hazardous waste treatment services, respectively, provides us with more opportunities to participate in new projects and expand our market share.

- *Complementary business model*. Our hazardous waste treatment business requires significant capital investment over a relatively longer time period, compared to our environmental hygiene business. However, it typically generates higher gross profit margin than our environmental hygiene services. On the other hand, compared to our hazardous waste treatment business, our environmental hygiene services generally require less capital investment. It is able to generate revenue and cash flow within a shorter time period, and provides us with a lower yet stable gross profit margin. We believe that the complementary and synergistic nature of our two major businesses will help us maintain our sustainable growth in future.

Leader in the fast-growing environmental hygiene services

The environmental hygiene services market in China is highly fragmented. The environmental hygiene services market comprises two sectors based on the type of service provider, namely the government agency sectors, where the service providers are local government agencies, and the enterprise sectors, where the service providers consist of enterprises (whether state-owned or non-state owned). In 2018, the market size of the enterprise sector amounted to approximately RMB101.1 billion, representing approximately 38.6% of the total environmental hygiene services market. We are the fourth largest provider in the enterprise sector of the environmental hygiene services market in China in terms of 2018 revenue, with a market share of 1.6% of the enterprise sector and 0.6% overall, according to the F&S Report. Our environmental hygiene services have been expanding rapidly. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we had one, 71, 106 and 112 revenue-generating environmental hygiene service projects, respectively. As of June 30, 2019, environmental hygiene service projects that we operated covered 23 provinces, municipalities and autonomous regions. In addition, 47 of these projects had total contract value exceeding RMB100 million. The local knowledge, reputation and connections that we build in these cities position us well to penetrate the market further in these areas and expand into surrounding areas.

China's environmental hygiene service market has experienced significant growth in recent years, increasing from RMB138.9 billion in 2014 to RMB261.8 billion in 2018 at a CAGR of 17.2%, and is expected to further increase to RMB516.6 billion in 2023 at a CAGR of 14.6%, according to the F&S Report. We expect to benefit from the following key industry trends identified in the F&S Report:

- *Increasing enterprise participation*. China's local government agencies are expected to increase outsourcing of environmental hygiene services to enterprises due to efficiency and other reasons. Market share of enterprises in such services in China increased from 11.6% in 2014 to 38.6% in 2018, and is expected to reach 71.0% in 2023.

- *Increasing focus on quality of life*. As population of urban areas continue to increase due to continuing urbanization, issues relating to the environment and quality of life in urban areas are receiving greater focus from the government and local residents. As a result, the investment on urban environmental sanitation in China increased from RMB49.5 billion in 2014 to RMB176.0 billion in 2017 with a CAGR of 52.6%. It is expected that the PRC government would increase investment on environmental hygiene service projects in the coming years.

- *Increasing urbanization.* Urbanization is the major driver of the market since environmental hygiene services are mainly offered in urban and suburban areas in China. The urbanization rate in China was approximately 59.6% by the end of 2018. As China's urbanization rate continues to increase, the coverage of environmental hygiene services is expected to further increase in the foreseeable future. Such increase in coverage is expected to further boost the development of environmental hygiene service market.

In-depth experience and capabilities in hazardous waste treatment business well-positioned to benefit from favorable industry trends

We believe the following factors distinguish us from our competitors in a highly fragmented hazardous waste treatment market:

- *High quality and strategically located projects*. As of June 30, 2019, we had five hazardous waste treatment projects in operation and two hazardous waste treatment projects in trial operation. As of December 31, 2018, treatment facilities of our projects that engaged in waste disposal had a total designed treatment capacity of 253,050 tons per annum, ranking sixth in China, according to the F&S Report. Treatment facilities of the other projects that engaged in recycling and reuse had a total designed treatment capacity of 340,000 tons per annum, as of the same date. We have strategically established industrial waste treatment facilities in Shandong and Qinghai. According to the F&S Report, with a large number of industrial manufacturing enterprises that discharge hazardous wastes, Shandong and Qinghai are the largest and seventh largest hazardous waste output provinces in China in 2017, respectively. In 2018, total designed treatment capacity for waste disposal of our projects in operation (including projects in operation and in trial operation) ranked fourth and first in Shandong and Qinghai, respectively.

- *Broad range of technical capabilities*. Our treatment methods include all four of the major methods currently available on the market, including incineration, wastewater and liquid waste flocculation and purification, solidification and landfill disposal. Furthermore, among the 46 major categories of hazardous waste under the National Catalog of Hazardous Waste (國家危險廢物名錄), we are qualified to treat 38 categories.

- *Proven track record in compliance with environmental and safety laws*. We have a proven track record in compliance with environmental and safety laws in all material respects. We believe that this is attributable in significant part to our management experience and capabilities. In a highly regulated industry where the grant of new licenses is restricted, we believe that our track record will help differentiate us from our existing competitors as well as new market entrants as we seek to expand into new markets.

The hazardous waste treatment industry in China still has significant growth potential. Although the overall treatment rate of hazardous waste in China has reached 95.7% in 2018, considering the large volume of hazardous wastes illegally disposed of, the actual treatment rate may be much lower, according to the F&S Report. With increasingly stringent environmental regulations imposed by the PRC government, a number of regions in China face shortages in hazardous waste treatment facilities. We believe that these favorable industry trends coupled with our experience and capabilities will continue to drive our growth in hazardous waste treatment business in future.

Shareholder support from industry pioneers and leaders with nationwide reputation

We believe we have benefited from strong support from BEHL and BEWG as our shareholders. Both BEWG and BEHL are Hong Kong Stock Exchange listed companies. BEWG focuses on water resource recycling and water ecological environment protection. BEHL, BEWG's shareholder, is a pioneer in municipal services such as natural gas distribution and transmission, water treatment, solid waste treatment and construction of public facilities, which are traditionally conducted by local governments. They are ultimately held by Beijing Enterprises Group Company Limited (北京控股集團有限公司), founded and wholly-owned by the People's Government of Beijing to provide urban public services. It has expanded its operations into approximately 400 cities in China. We believe that our shareholders' nationwide customer base, reputation and brand recognition have contributed and will continue to contribute to our expansion strategy.

Experienced and professional management team

Our senior management team consists of professionals with substantial industry, management and operational experience. A majority of our senior management team have been working in the relevant industries, such as waste treatment and energy and resources industries, for more than 10 years. Our chief executive officer and president, Mr. Zhao Kexi, served various management positions in member companies under BEWG for over 15 years before joining our Group and helped build our hazardous waste treatment business. Our vice president, Mr. Zhang Hailin, has been working on corporate management and business development in environmental hygiene service industry for more than 10 years. Our vice president, Mr. Chen Zhen, has diverse experience in operation management, sales and marketing and financial management in energy and resources sector for more than 18 years. Their extensive industry knowledge and in-depth understanding of the regulatory environment have enabled them to foresee the development trend of the sectors we operate in and the governmental regulations and policies. We believe that our management team possesses the insight, vision and knowledge required to effectively execute our growth strategy in the face of challenging economic conditions.

BUSINESS STRATEGY

Strengthen leading market position in environmental hygiene services

We intend to maintain and strengthen our leading market position in the environmental hygiene service industry through the following.

- *Win new projects and expand into new markets*. We intend to expand into new markets by capitalizing on (i) the experience, capabilities and reputation gained through existing projects; (ii) customer referrals and market intelligence shared by our shareholders; and (iii) synergies derived from our hazardous waste treatment business. To support our expansion, we plan to allocate approximately 16.5% of our total estimated net proceeds from the Global Offering, or HK$97.9 million, towards investment in garbage trucks and other sanitation vehicles. In the next phase of our expansion, we intend to further expand into coastal cities in South China and other economically well-developed cities in East China.

- *Strengthen IT system and expand use of advanced technology*. We embrace emerging technologies. For example, we are experimenting with a system collecting and analyzing data from GPS trackers on workers and vehicles, which will help us improve labor and fuel efficiencies. As of the Latest Practicable Date, we have completed trial testing of such system on 12 projects. In addition, we endeavor to increase the level of mechanization in our daily operation in order to lower labor costs.

- *Diversify into recycling, sorting and reuse projects*. Our environmental hygiene service currently focuses on providing environmental hygiene services such as cleaning, collection and transportation of municipal solid waste. We are seeking the opportunities to expand our services to certain related business areas, such as recycling, sorting and reuse of municipal waste.

Based on our contracted obligations as of the Latest Practicable Date, we expect to incur a capital expenditure of no less than RMB158.8 million to maintain and strengthen our leading market position in the environmental hygiene service industry. We plan to fund the capital expenditure with the net proceeds from the Global Offering, as disclosed above, as well as the working capital generated from our operations and external borrowings.

Continue to invest in and expand hazardous waste treatment business

We intend to continue to invest in and expand our hazardous waste treatment business through the following.

- *Ramp up capacity and volume in current projects*. We expect to ramp up treatment capacity in several existing projects, including:

    - Shouguang Industrial Solid Waste Disposal Center Project (壽光市工業固體廢物處置中心項目). This project began its trial operation in June 2018, and has commenced operation officially in the fourth quarter of 2019. Disposal method of phase I of this project is incineration treatment only with a designed treatment capacity of 9,000 tons per annum. Phase II of this project, whose disposal methods will combine landfill treatment, incineration treatment and other physical treatment methods with a designed treatment capacity of approximately 70,000 tons per annum, is expected to commence trial operation in the first quarter of 2021.

    - Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project (寧夏睿源廢舊甲醇及混醇回收循環利用項目). With the full utilization of project facilities, we expect that annual treatment capacity on this waste methanol and mixed alcohol recycling and reuse project will increase from 90,000 tons to 200,000 tons. With our advanced recycling and reuse technology in place, we also expect to produce more high quality alcohol related products.

   - Guangxi Guigang BEWG Medical Waste Disposal Center Project (廣西貴港北控水務醫療廢物處置中心項目). We expect to significantly increase the designed treatment capacity of Guangxi Guigang BEWG medical waste disposal center through our upgrading project. Upon the completion of this upgrade project, treatment capacity for Guangxi Guigang BEWG medical waste disposal center is expected to increase to ten tons per day.

- *Continue to invest in projects planned for future construction*. We expect to commence operation of one, three and four projects planned for future construction in 2019, 2020 and 2021, respectively. We plan to allocate approximately 51.6% of our total estimated net proceeds from the Global Offering, or HK$305.7 million, towards the purchase of equipment and facilities as well as construction of buildings for certain projects planned for future construction, including:

   - approximately 36.4% of our total estimated net proceeds, or HK$215.7 million, will be used for purchasing equipment and facilities;

   - approximately 15.2% of our total estimated net proceeds, or HK$90.0 million, will be used for construction of buildings.

- *Increase investment in recycling and reuse projects*. Our hazardous waste treatment business currently focuses on waste disposal through detoxification treatment so that such waste can be discharged in compliance with the applicable environmental laws and regulations. We intend to extend the industry value chain to extract elements from waste and generate revenue from recycling and reuse. For example, we plan to start to recycle, process and refine waste alcohol into alcohol products such as methanol, ethanol, propanol, and butanol. Up to the Latest Practicable Date, we have already started our research and development efforts on segregation technology of mixed alcohol.

Based on our contracted obligations as of the Latest Practicable Date, we expect to incur a capital expenditure of no less than RMB169.5 million to invest in and expand our hazardous waste treatment business. We plan to fund the capital expenditure with the net proceeds from the Global Offering, as disclosed above, as well as the working capital generated from our operations and external borrowings.

Complement our growth through acquisitions

China's hazardous waste treatment industry is highly fragmented. As an industry leader, we are well-positioned to capture the significant acquisition opportunities that the industry offers. Our ideal targets are those that are located in regions with sufficient demand for our services, and in the case of hazardous waste treatment, sufficient raw material waste supplies. We particularly focused on targets that can benefit from our management capabilities, reputation, experience and financial resources to improve their operating results. We continuously seek to identify and evaluate potential acquisition targets.

OUR BUSINESSES

Overview

Our business consists of three segments: (1) environmental hygiene services, (2) hazardous waste treatment business, and (3) others, which represents our waste electrical and electronic equipment treatment business. The table below sets forth a breakdown of our revenue by segment for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of HK$, except percentages)									
Environmental hygiene services	18,512	75.1	662,181	72.6	1,613,425	72.9	728,899	77.0	1,094,849	74.2
Hazardous waste treatment business	6,128	24.9	144,013	15.8	422,209	19.1	132,692	14.0	277,213	18.8
Others	–	–	106,186	11.6	176,198	8.0	85,972	9.1	103,221	7.0
Total	24,640	100.0	912,380	100.0	2,211,832	100.0	947,563	100.0	1,475,283	100.0

ENVIRONMENTAL HYGIENE SERVICE

Our Services

Generally, we utilize existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. Our environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services.

We have been continuously focused on enhancing operational efficiency, and have incorporated the advanced technology into our business process. For example, we have rolled out a pilot program to require each municipal worker to wear a digital bracelet and install a GPS tracker on each of our vehicle. We have also installed remote fuel monitor on our cleaning vehicles. As a result, we are able to track real-time working progress of municipal workers and our cleaning vehicles and fuel use of the vehicles. Such digital devices also enable us to monitor safety of our municipal workers and handle emergencies promptly. Information gathered through these devices is transmitted to our cloud platform. Our integrated management platform conducts real-time surveillance and evaluation based on information received. We believe that these measures have facilitated our efforts in enhancing our operational efficiency and maintaining our service quality.

Comprehensive Road Cleaning

Our comprehensive road cleaning services primarily consist of the following.

Manual Cleaning

Our municipal workers are responsible for manual cleaning of roads. With the assistance of cleaning vehicles, municipal workers sweep sidewalks and non-motor vehicle lanes in accordance with sweeping guidelines we establish. Municipal workers are taught to sweep from narrow space to spacious space, so they can start sweeping from wall edges and corners on both sides of the roads to collect garbage from corner position to open space and collect and transport afterwards. In addition, we set up different procedures for sidewalk sweeping and curb sweeping to ensure the cleaning quality.

Mechanized Cleaning

We combine high-pressure flushing and sweeping for mechanized cleaning of roads with our extensive use of mechanized cleaning vehicles. Through a combination of flushing and sweeping of sidelines and center lines, vacuum sweeping, manual flushing and manual cleaning, our mechanized cleaning effectively reduces the dust load and the concentration of inhalable particles in the air while achieving enhanced cleaning quality. In addition, we strategically position small cleaning vehicles, such as small-scaled sweeping vehicles and guardrail cleaning vehicles, in designated areas in order to assist municipal workers with cleaning dumpsters and guardrails.

Other Road Cleaning Services

Our comprehensive road cleaning also includes snow removal and ice shoveling. Our mechanized snow removal and ice shoveling equipment include snow blower, snow melting agent spreader, ice crusher and ice melting machine. For certain areas in which we cannot apply mechanized snow removal and ice shoveling equipment, our municipal workers would remove snow and shovel ice manually. We seek to limit the use of snow melting agents to protect environmental and road conditions. In addition, we implement different cleaning guidelines for different weather conditions.

Garbage Sorting

We endeavor to achieve hazard-free treatment and recycled use of garbage through our garbage sorting service. In addition, we seek to tailor each step of the collection and transportation process.

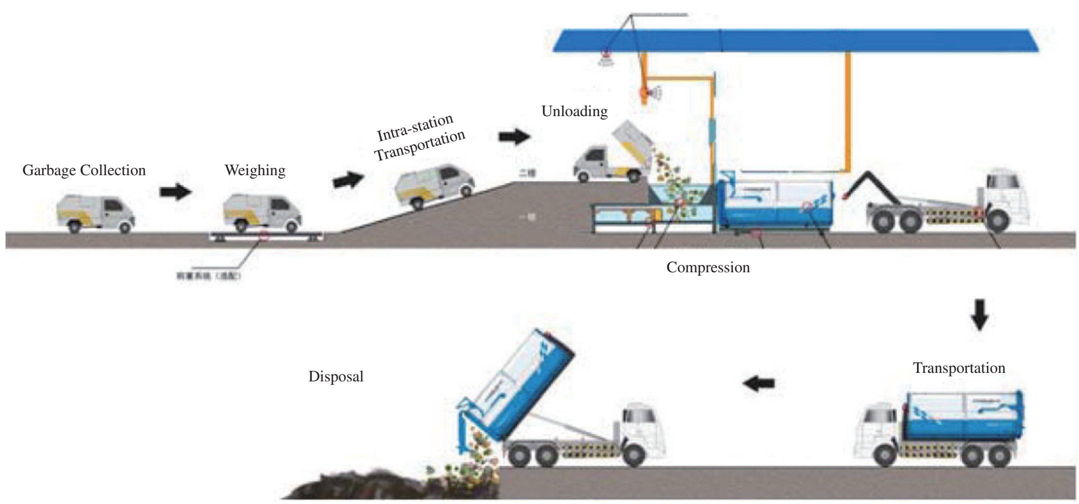
For our pilot garbage sorting program, we install electrical garbage bag dispensers and electrical garbage sorting dumpsters in certain neighborhoods. In such neighborhoods, we also assign specific QR code to each of the resident in order to track their garbage sorting behavior. Our back stage system will analyze relevant data collected through these digital equipment on a daily basis. To encourage residents to sort their garbage, we will reward residents that routinely sort their garbage with points through QR codes assigned to them and they can redeem various rewards through our terminals placed in these neighborhoods. In addition, we often distribute publicity materials, such as brochures, in the neighborhoods to encourage residents to sort their garbage.

Garbage Collection and Transportation

We have built a professional team to take charge of our garbage collection and transportation service. We collect household garbage from dumpsters and transport them to designated garbage transportation stations on a daily basis with our fully enclosed vehicles. We regularly wash and sterilize all dumpsters to prevent potential health and hygiene problems.

Garbage Transportation Station Management

Our garbage transportation management have been designed to ensure the effectiveness and efficiency of our environmental hygiene services. To reduce negative impact brought by odor of our garbage transportation stations on surrounding environment, we install spray deodorization systems in our garbage transportation stations. Such system also improves the working environment in our garbage transportation station. The following diagram sets forth the flow chart of our garbage transportation station management process.



Public Toilet Management

As the PRC government aims to improve sanitary conditions of public toilets in China through Toilet Revolution Campaign starting from 2015, public toilet management has become a crucial part of our environmental hygiene services. We assign specific personnel to manage public toilets we operate and maintain and set out clear management standard to ensure that we can provide satisfactory cleaning and other services. We also set up a professional facilities maintenance team to regularly check vulnerable facilities in public toilets. Once our team identifies any damage, our professional personnel will repair the defected parts immediately to ensure the normal operation of public toilet facilities.

We actively seek to enhance the quality of the public toilet facilities and upgrade our services. For example, we have adopted advanced technologies and equipment in the construction of public toilet. As a result, public toilets we operate and maintain have experienced significant improvement in sanitary condition and have become more environmentally friendly.

Manure Collection and Transportation

Our manure collection and transportation includes removal, collection and transportation of manure from residential and business units and public toilets to designated locations. We are responsible for sanitary condition of designated locations where manure is temporarily stored. Therefore, we routinely clean and sterilize our manure transportation stations and vehicles. Since manure collection and transportation involves biogas, one type of flammable gas, we strictly prohibit existence of fire on our working locations and implement precautionary measures to safeguard our septic tank away from fire and other flammable objects.

Greenway Maintenance

Our greenway maintenance mainly includes watering, fertilization, weeding, pruning, pest prevention and cleaning of greenways. We implement different maintenance procedures based on different conditions of the greenways. In particular, we pay specific attention to safeguarding seedling roots of plants and protecting soil.

River Cleaning

We are responsible for assigning municipal workers and cleaning vessels to clean rivers. Municipal workers employ river cleaning equipment and picking tools on cleaning vessels or the shore to pick up floating garbage. Garbage collected is then placed in dumpsters and municipal workers will place these dumpsters at designated locations on the shore for further handling by garbage collection vehicles and other municipal workers.

Property Management Services

Leveraging our experience and capabilities in environmental hygiene services, we started to offer property management services in certain residential and office areas in Beijing since 2019. Services we offer primarily include (i) hygiene services, such as road cleaning services, room cleaning services, garbage collection and transportation services, manure collection and transportation services and greenway maintenance services; and (ii) property management services, such as residential and office area management services, sewage system management services, equipment repair and maintenance services and heating management services.

Our Projects

We manage most of the environmental hygiene service projects under Operation & Maintenance ("**O&M**") model. Under this model, our customers outsource the municipal projects whose construction has been completed or nearly completed to us. We act as a third-party professional municipal operator for operation and maintenance. We also operate certain environmental hygiene service projects under other models. For details, see "— Projects Portfolio." The following table sets forth main characteristics of these models and projects under these models as of the Latest Practicable Date.

Project model	Main characteristics	Projects under this model
Build-Transfer-Operate (BTO)	Under this model, an enterprise is entitled to a concession from the government agency to finance, design, construct, and operate a facility stated in the concession contract. During concession period, the project developer recovers full investment with margin from grantors and provides operating services	• Wuchuan Urban and Rural Municipal Waste Collection and Transportation Project • Hejian Village Project • Kunming City Xishan District Project
Transfer-Operate-Transfer (TOT)	Under this model, government transfers the right of ownership or operation of the project to investors with compensation for a certain period. Investors then recover their full investment and are entitled to a reasonable amount of compensation through operation pursuant to the contract. Upon expiration of the contract, investors transfer the right of ownership or operation back to the government	• Hejian City Project • Qinhuangdao Funing District Garbage Transportation Project • Nanpi County Urban and Rural Project

Our Project Portfolio

Our environmental hygiene services have been expanding rapidly. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we had one, 71, 106 and 112 revenue-generating environmental hygiene service projects, respectively. As of June 30, 2019, environmental hygiene service projects we operated covered 23 provinces, municipalities and autonomous regions. We believe that we have established a broad geographic coverage in the PRC and we intend to further penetrate regions we have established our presence while further expanding our operations into other regions in China. The following map sets forth number of the environmental hygiene service projects that we operated as of June 30, 2019 by geographic location.

Leveraging our capabilities and experience in environmental hygiene service sector, we are able to undertake large-scale environmental hygiene service projects, which distinguishes us from the small-scale industry participants in the fragmented industry. As of June 30, 2019, 47 of the environmental hygiene service projects that we operated had total contract value exceeding RMB100 million. As of June 30, 2019, we had 112 revenue-generating environmental hygiene service projects, of which 54 were in operation and were referred by BEWG. In addition to those 54 projects, there were four projects referred by BEWG but not in operation. Among these 58 projects, 30 projects were novated to us, namely, where we or our subsidiaries became parties to the relevant contracts, BEWG has undertaken that it will not take any action which may result in our Group ceasing to be the exclusive provider of the non-novated projects. Due to the growth in our environment hygiene services business, our Directors are of the view that our Group will not continue to have projects referred by BEWG after Listing.

The following table sets forth a breakdown of the environmental hygiene service projects in operation transferred from BEWG and the projects independently-sourced by us during each period of the Track Record Period.

	Year ended December 31,									Six months ended June 30,		
	2016			2017			2018			2019		
	From BEWG	Self-sourced	Total	From BEWG	Self-sourced	Total	From BEWG	Self-sourced	Total	From BEWG	Self-sourced	Total
Number of projects	1	0	1	40	31	71	52	54	106	54	58	112
Revenue *(HK$'000)*	18,512	0	18,512	495,562	166,619	662,181	1,099,996	513,429	1,613,425	769,971	324,878	1,094,849
Gross profit *(HK$'000)*	6,720	0	6,720	115,201	32,925	148,126	220,398	126,011	346,409	173,172	63,953	237,125
Gross margin	36.3%	N/A	36.3%	23.2%	19.8%	22.4%	20.0%	24.5%	21.5%	22.5%	19.7%	21.7%

In selecting projects, we strategically seek projects located in regions and neighboring areas where we have established similar projects so that we can leverage our local knowledge and scale of economy. See "— Our Project Management Process — Project Sourcing." We believe that the experience in managing environmental hygiene service projects is replicable. We aim to standardize our operation of environmental hygiene service projects and replicate our experience from our existing projects to new projects to continuously improve the efficiency of our operations.

The following table sets forth information of environmental hygiene service projects that we operated as of June 30, 2019.

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1]	Total contract value	Contract area[2]
						(RMB in thousands)	*(RMB in thousands)*	*(m^2, unless otherwise specified)*
1	Changping District Project (昌平區城鄉環境建設項目)	Beijing	1/1/2018	12/31/2020	3	1,500.0[3]	4,100.0	21 towns[4]
2	Changping District Muck Inspection Project (昌平區渣土檢查項目)	Beijing	1/1/2018	12/31/2020	3	838.8[3]	2,345.4	21 towns[4]
3	Chongqing Nanping Project[5][6] (重慶南坪項目)	Chongqing	3/1/2016	2/28/2019	3	11,007.4	33,022.3	1,225,488.0
4	Jiulongpo District Project – Area I[5][6] (九龍坡區項目－1包)	Chongqing	4/1/2016	3/31/2019	3	1,613.1	4,839.3	243,301.0
5	Jiulongpo District Project – Area III[5][6] (九龍坡區項目－3包)	Chongqing	4/1/2016	3/31/2019	3	4,490.6	13,471.7	1,181,726.1
6	Nanbin Road Greening & Maintenance Project[5][6] (南濱路綠化管護服務項目)	Chongqing	5/1/2016	4/30/2019	3	1,022.8	3,068.3	67,876.7 m^2 plus 418 trees[7]
7	Banan District Dongcheng Avenue Project[5][8] (巴南區東城大道項目)	Chongqing	6/1/2016	8/31/2019	3	4,332.2	14,079.8	689,847.0
8	Liangjiang New District Longxing & Yufu Industrial Park Project[5] (兩江新區龍興、魚復工業開發區項目)	Chongqing	8/16/2016	8/15/2019	3	6,782.2	20,346.7	811,272.0
9	Chongqing Rongchang District Banqiao Industrial Park Project[5] (重慶市榮昌區板橋工業園項目)	Chongqing	9/1/2016	8/31/2019	3	5,353.2	16,059.5	980,434.0
10	Shuangfu New District Project[5] (雙福新區項目)	Chongqing	9/1/2016	8/31/2020	4	4,005.3	16,021.3	631,778.7
11	Liangjiang New District Renhe & Kangmei Street Project[5] (兩江新區人和及康美街道項目)	Chongqing	11/1/2016	10/31/2019	3	11,362.3	34,086.8	1,100,994.4
12	Chongqing Urban Drainage Pipe Network Project[5] (重慶市政管網管理項目)	Chongqing	1/1/2017	12/31/2019	3	12,329.5	36,988.5	Drainage pipe network of 416 km[4]
13	Dianjiang County Project[5] (墊江縣項目)	Chongqing	1/1/2017	12/31/2021	5	9,830.5	49,152.3	1,145,140.0
14	Chongqing Jialing River Bridge Project[5][9] (重慶嘉陵江大橋項目)	Chongqing	1/1/2017	12/31/2019	3	787.8	2,459.2	241,900.0
15	Banan District Nanquan Street Project[5] (巴南區南泉街道項目)	Chongqing	1/16/2017	1/15/2020	3	1,920.0	5,760.0	231,338.2
16	Chongqing Yangtze River Industrial Park Project[5] (重慶長江工業園項目)	Chongqing	2/1/2018	1/31/2020	2	3,366.0	6,732.0	292,051.0

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1]	Total contract value	Contract area[2]
						(RMB in thousands)	*(RMB in thousands)*	*(m^2, unless otherwise specified)*
17	Chongqing Nanbing Road Project[5] (重慶南濱路項目)	Chongqing	9/1/2018	8/31/2019	1	6,216.8	6,216.8	832,500.0
18	Chongqing City Dadukou District Project[5] (重慶市大渡口區項目)	Chongqing	3/1/2019	2/28/2022	3	115.3	345.9	21,000.0
19	Chongqing Hongyan Culture Development Project[5] (重慶紅岩文化發展項目)	Chongqing	4/1/2019	3/31/2022	3	1,920.1	5,760.3	601,855.0
20	Longnan City Wudu District Project[3] (隴南市武都區項目)	Gansu	3/12/2018	3/11/2034	16	16,843.9	269,695.6	989,000.0
21	Lintao County Project[10] (臨洮縣項目)	Gansu	9/15/2018	9/15/2026	8	25,865.8	206,926.4	2,197,000.0 m^2, 15 public toilets and riverside area[7]
22	Renhua County Project[11] (仁化縣項目)	Guangdong	5/1/2016	4/30/2024	8	15,579.0	124,632.0	841,000.0
23	Nanxiong County Project[10] (南雄市鄉鎮項目)	Guangdong	10/16/2016	10/15/2024	8	9,320.0	74,560.0	306,000.0
24	Renhua County Ten Towns and One Street Project (仁化縣十鎮一街項目)	Guangdong	9/20/2017	9/19/2020	3	14,758.0	44,274.0	1,198,700.0
25	Nanxiong Ten Towns Project[12] (南雄市十鎮項目)	Guangdong	10/1/2017	9/30/2020	3	13,582.4	40,747.2	575,590.0
26	Renhua County Countryside Project (仁化縣鄉村項目)	Guangdong	3/10/2018	3/9/2021	3	8,900.0	26,700.0	Ten towns and one street[4]
27(a)[13]	Guigang City Environmental Hygiene Service Project – Municipal Waste Transportation Station O&M[12] (貴港環衛項目－垃圾轉運站運營)	Guangxi	5/6/2013	4/16/2043	30	N/A	N/A	34 municipal waste transportation stations[4]
27(b)[13]	Guigang City Environmental Hygiene Service Project – Qin Tang District O&M[12] (貴港環衛項目－覃塘區委託管理)	Guangxi	7/8/2014	7/8/2044	30	N/A	N/A	4 municipal waste transportation stations[4]
27(c)[13]	Guigang City Environmental Hygiene Service Project – Qiao Xu Town O&M[14] (貴港環衛項目－橋圩鎮委託管理)	Guangxi	7/22/2014	7/22/2022	8	N/A	N/A	One municipal waste transportation station[4]
28	Zhijin County Project[5][9] (織金縣項目)	Guizhou	4/1/2016	3/31/2021	5	23,580.0	130,294.4	1,500,000.0
29	Qingzhen City Hongfeng Lake Countryside Project[3] (清鎮市紅楓湖農村項目)	Guizhou	4/17/2017	10/16/2019	2.5	7,473.6	18,684.0	61,968 people[4]
30	Dafang County Project[11] (大方縣項目)	Guizhou	5/10/2017	5/9/2025	8	35,363.4	282,907.2	2,914,220.0
31	Wuchuan Urban and Rural Municipal Waste Collection and Transportation Project[15] (務川縣城鄉生活垃圾收運項目)	Guizhou	6/30/2017	6/30/2031	15	N/A	N/A	14 garbage collection stations[4]
32	Qingzhen City Project[16] (清鎮市項目)	Guizhou	8/1/2017	7/31/2027	10	68,076.0	680,760.0	3,467,702.8 m^2, 48 public toilets and 7 garbage transportation stations[7]
33	Qingzhen City Greenway Maintenance Project (清鎮市綠化管理項目)	Guizhou	5/18/2019	5/18/2021	3	1,558.0	4,674.0	327,789.8

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1]	Total contract value	Contract area[2]
						(RMB in thousands)	(RMB in thousands)	(m^2, unless otherwise specified)
34	Xiuwen County Urban Project[16] (修文縣城區項目)	Guizhou	1/1/2018	12/31/2027	10	16,950.9	169,509.0	1,029,428.8 m^2, 13 public toilets and 2 garbage transportation stations[7]
35	Guiyang City Project (貴陽市項目)	Guizhou	1/1/2018	12/31/2020	3	17,482.1	52,446.2	920,747.0
36	Guizhou Yanhe Project (貴州沿河項目)	Guizhou	10/1/2018	9/30/2028	10	24,460.0	244,600.0	1,859,820.5
37	Guiyang Shuidong Road Project (貴陽水東路項目)	Guizhou	10/1/2018	9/30/2021	3	8,288.9	24,319.8	584,823.0
38	Dingxing County Project[11] (定興縣項目)	Hebei	2/7/2016	2/6/2026	10	16,950.0	169,500.0	2,286,920.0
39	Xinji Urban Project[3][12] (辛集市城區項目)	Hebei	4/1/2016	3/31/2026	10	46,504.0	465,350.4	5,806,631.7
40	Tangshan City High-tech Development District Project[11] (唐山高新技術產業開發區項目)	Hebei	7/1/2016	6/30/2036	20	10,308.1	206,162.0	1,407,800.0
41	Hejian City Project[11] (河間市項目)	Hebei	9/1/2016	8/31/2041	25	31,761.7	794,042.5	4,193,042.2 m^2 and 43 towns[7]
42	Qinhuangdao Funing District Garbage Transportation Project (秦皇島市撫寧區垃圾收運項目)	Hebei	12/1/2016	11/30/2041	25	12,800.0	320,000.0	Nine garbage transportation stations[4]
43	Dingxing County Urban and Rural Project[11] (定興縣城鄉項目)	Hebei	2/20/2017	2/19/2026	9	3,780.0	34,020.0	257,700.0 m^2 and 17 villages [7]
44(a)[13]	Tangshan City Hangu District Project[8] (唐山市漢沽區項目)	Hebei	8/24/2017	8/23/2037	20	5,459.9	109,198.0	349,300.0
44(b)[13]	Tangshan Hangu Industrial Park and Countryside Project[10][17] (唐山漢沽產業園農村項目)	Hebei	6/1/2017 for Industrial Park/ 9/1/2017 for Countryside	5/31/2020 for Industrial Park/ 8/31/2020 for Countryside	3	3,574.2	10,722.6	471,542.0
45	Nanpi County Urban and Rural Project[11] (南皮縣城鄉項目)	Hebei	9/1/2017	8/31/2042	25	31,700.0	792,500.0	1,589,000 m^2 and 312 villages[7]
46	Chengde City Shuangqiao District Project[11] (承德雙橋區項目)	Hebei	12/1/2017	11/30/2025	8	57,396.2	459,169.6	6,649,400.0
47	Suning County Urban and Rural Project[10] (肅寧縣城鄉項目)	Hebei	12/1/2017	11/30/2020	3	20,898.6	62,695.8	3,149,760.3
48	Tang County Gucheng Industrial Park Project[11] (唐縣長古城工業園項目)	Hebei	1/17/2018	12/31/2026	9	1,639.1	14,751.9	232,350.0
49	Tang County Village Project[11] (唐縣村莊項目)	Hebei	1/17/2018	12/31/2026	9	8,161.6	73,454.4	179 villages[4]
50	Lutai Economic Development District Project[10] (蘆台經濟開發區項目)	Hebei	3/20/2018	3/19/2026	8	5,022.2	40,177.7	497,052.6
51	Xinji City Project (辛集城市項目)	Hebei	7/1/2018	6/30/2021	3	5,834.2	17,502.6	1,062,267.7 m^2, guardrail of 13,000 m and 14 public toilets[7]
52	Tangshan High-tech District Countryside Project (唐山高新區農村項目)	Hebei	8/3/2018	8/2/2021	3	6,090.0	18,270.0	43 villages[4]

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1]	Total contract value	Contract area[2]
						(RMB in thousands)	*(RMB in thousands)*	*(m^2, unless otherwise specified)*
53	Zunhua City Project[5] (遵化市項目)	Hebei	8/7/2018	8/6/2021	3	43,124.5	129,373.5	6,298,922.9
54	Guyuan County Project (沽源縣鄉鎮項目)	Hebei	10/25/2018	10/25/2021	3	8,984.0	26,952.0	Seven villages[4]
55	Tangshan High-tech District Greenway Project (唐山高新區綠化帶項目)	Hebei	1/19/2019	1/18/2022	3	860.0	2,580.0	455,074.7
56	Hejian Village Project (河間農村項目)	Hebei	3/21/2019	8/31/2041	22.4	22,785.8	510,400.8	527 villages[4]
57	Suning County Urban and Rural Project – Urban Area (肅寧縣城區項目–城區部分)	Hebei	5/1/2019	4/30/2022	3	2,379.3	7,137.9	247,385.0 m^2, 16 towns and 23 ponds[7]
58	Fuyuan City Project[5][12] (撫遠市項目)	Heilongjiang	5/31/2018	5/30/2034	16	14,800.0	236,800.0	910,000.0
59	Fuyuan Municipal Waste Treatment and Disposal Project[5][12] (撫遠市生活垃圾無害化處理項目)	Heilongjiang	5/31/2018	5/30/2028	10	1,423.5	14,235.0	Garbage storage stations of 1,020,000 m^3 [4]
60	Shangqiu City Suiyang District Project[3][10] (商丘市睢陽區項目)	Henan	1/1/2017	12/31/2031	15	11,646.6	177,091.6	1,805,676.0
61	Lankao County Project[12] (蘭考縣項目)	Henan	11/1/2018	10/31/2030	12	46,847.9	562,174.8	13 towns[4]
62	Yichang City Wujiagang District Project (宜昌市伍家崗區項目)	Hubei	1/1/2019	12/31/2023	5	44,880.0	224,400.0	5,483,730.0
63	Changsha County Xianglong Street Project[5] (長沙縣湘龍街道項目)	Hunan	1/1/2017	12/31/2019	3	6,921.1	20,763.2	Certain streets[4]
64	Xintian County Project[11] (新田縣項目)	Hunan	4/17/2018	8/16/2046	28	7,953.2	222,690.2	12 garbage transportation stations[4]
65	Jiangyong County Project[10] (江永縣項目)	Hunan	12/1/2018	12/1/2021	3	3,485.0	10,455.0	120,000.0
66	Tokto County Project[10] (托克托縣項目)	Inner Mongolia	3/1/2016	2/28/2041	25	17,595.0	439,875.0	2,660,000.0 m^2 and 14 public toilets[7]
67(a)[13]	Jinchuan Economic Development District Project (金川開發區項目)	Inner Mongolia	4/1/2017	3/31/2023	6	25,288.1	151,728.6	3,258,775.0
67(b)[13]	Jinchuan Economic Development District Project – supplemental agreement (金川開發區項目增量)	Inner Mongolia	1/1/2019	3/31/2023	4.25	2,877.5	12,229.4	370,814.0
68(a)[13]	Hohhot City Saihan District Project (呼和浩特市賽罕區項目)	Inner Mongolia	4/1/2017	3/31/2025	8	34,788.0	278,304.0	4,454,300.0
68(b)[13]	Hohhot City Saihan District Project – supplemental agreement (呼和浩特市賽罕區項目增量)	Inner Mongolia	1/1/2018	3/31/2025	7.25	4,924.9	35,705.6	630,589.3
69	Horqin Right Middle Banner Project[10] (科右中旗項目)	Inner Mongolia	4/1/2017	3/31/2042	25	13,500.0	337,500.0	2,813,900.0
70	Qingshui River County Chengguan Project[11] (清水河縣城關鎮項目)	Inner Mongolia	8/10/2017	8/9/2042	25	9,180.0	229,500.0	700,000.0
71	Ulanqab City Jining District Malianqu County Project[10] (烏蘭察布市集寧區馬蓮渠鄉項目)	Inner Mongolia	9/30/2018	9/30/2026	8	2,801.9	22,414.9	693,525.0

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1]	Total contract value	Contract area[2]
						(RMB in thousands)	(RMB in thousands)	(m^2, unless otherwise specified)
72	Ulanqab City Jining District Bawanghe Street Project[10] (烏蘭察布市集寧區霸王河街道項目)	Inner Mongolia	9/30/2018	9/29/2026	8	4,428.9	35,431.2	978,884.0
73	Yangzhou City Guanlin District Project (揚州市廣陵區項目)	Jiangsu	1/1/2018	12/31/2025	8	14,732.5	117,860.2	22 garbage transportation stations[4]
74	Nanjing City Gaochun District Project[18] (南京市高淳區項目)	Jiangsu	5/7/2019	5/6/2022	3	67,846.4	203,539.2	7,193,000.0 m^2, roads, greenway, rivers, 68 public toilets and six garbage transportation stations[7]
75	Quannan County Project (全南縣項目)	Jiangxi	1/1/2018	12/31/2020	3	5,486.0	16,458.0	281,673.1
76	Nongan County Project[3][11] (農安縣項目)	Jilin	9/1/2016	8/31/2036	20	43,309.2	866,184.0	5,510,000.0
77	Shenyang City Huanggu District Project (瀋陽皇姑區項目)	Liaoning	6/28/2018	6/27/2023	5	68,738.6	343,693.0	4,892,751.3
78(a)[13]	Zhongning County Project[10] (中寧縣項目)	Ningxia	11/1/2016	10/31/2026	10	21,018.0	210,180.0	2,408,000.0
78(b)[13]	Zhongning County Project – supplemental agreement[10] (中寧縣項目增量)	Ningxia	11/1/2018	10/31/2026	8	2,821.3	22,570.4	272,140.0
79	Ningxia Industrial and Commercial College Project I[5] (寧夏工商職業技術學院項目一標段)	Ningxia	4/26/2019 for construction; 6/30/2019 for maintenance of block No. 8 and block No. 19	6/4/2019 for construction; 6/30/2020 for maintenance of block No. 8; 6/30/2021 for maintenance of block No. 19	40 days for construction; One year for maintenance of block No. 8; Two years for maintenance of block No. 19	Milestone payments: 275.7 for the first stage, 367.6 for the second stage, 91.9 for the third stage and 183.9 for the last stage	919.1	31,722.0
80	Ningxia Industrial and Commercial College Project II[5] (寧夏工商職業技術學院項目二標段)	Ningxia	4/26/2019 for construction; 6/30/2019 for maintenance	6/4/2019 for construction; 6/30/2021 for maintenance	40 days for construction and two years for maintenance	Milestone payments: 548.5 for the first stage, 731.3 for the second stage, 182.8 for the third stage and 365.6 for the last stage	1,828.2	28,945.0
81	Guide County Project (貴德縣項目)	Qinghai	11/1/2017	10/31/2020	3	15,972.0	47,916.0	1,742,200.0 m^2, 4 garbage transportation stations and 15 public toilets[7]
82(a)[13]	Liquan County Project[11] (禮泉縣項目)	Shaanxi	10/1/2016	9/30/2031	15	14,850.0	222,750.0	1,581,500.0
82(b)[13]	Liquan County Project – supplemental agreement[11] (禮泉縣項目增量)	Shaanxi	3/1/2018	9/30/2031	13.58	800.0	10,864.0	210,000.0
83	Wugong County Urban Project[11] (武功縣城區項目)	Shaanxi	3/1/2017	2/28/2036	20	7,460.0	149,200.0	1,030,000.0 plus 1 garbage transportation station and 12 public toilets[7]
84	Qindu District Project[12] (秦都區項目)	Shaanxi	6/13/2017	6/12/2023	6	16,700.0	100,200.0	Certain streets[4]
85	Changwu County Project (長武縣項目)	Shaanxi	7/1/2017	6/30/2037	20	6,923.5	138,470.0	715,600.0
86	Wugong County Rural Project[11] (武功縣鎮村項目)	Shaanxi	9/1/2017	8/31/2037	20	15,800.0	316,000.0	12 towns[4]

Number	Project name	Location	Date of service commencement	Date of service termination	Concession period	Annual fee[1] (RMB in thousands)	Total contract value (RMB in thousands)	Contract area[2] (m^2, unless otherwise specified)
87	Xianyang City Weicheng District Project[11] (咸陽市渭城區項目)	Shaanxi	11/30/2017	11/29/2022	5	38,200.0	191,000.0	2,380,000.0
88	Binzhou City Urban Project[10] (彬州市城區項目)	Shaanxi	1/1/2018	12/31/2027	10	24,680.0	246,800.0	2,532,800.0
89	Ningjin Xiangwu County Project[10] (寧津相衙鎮項目)	Shandong	8/1/2017	7/31/2027	10	1,064.2	10,641.6	Certain streets[4]
90	Ningjin Dacao County Project[10] (寧津大曹鎮項目)	Shandong	8/1/2017	7/31/2022	5	1,308.8	6,543.9	73 towns[4]
91	Ningjin City Jincheng County Project[10] (寧津津城街道項目)	Shandong	8/1/2017	7/31/2027	10	1,443.1	14,431.3	39,804 people[4]
92	Ningjin City Chaihudian County Project (寧津柴胡店鎮項目)	Shandong	9/1/2017	8/31/2022	5	2,200.0	11,000.0	Certain streets and villages[4]
93	Ningjin City Changguan County Project (寧津長官鎮項目)	Shandong	9/1/2018	8/31/2019	1	1,630.0	1,630.0	50 villages[4]
94	Qi River County Project (齊河縣項目)	Shandong	10/1/2018	9/30/2020	1	25,900.0	51,800.0	Eight towns[4]
95	Qihe Troop Project (齊河部隊項目)	Shandong	2/1/2019	2/1/2020	1	169.0	169.0	Approximately 150 to 160 garbage cans and their surroundings[4]
96	Heshun County Project[11] (和順縣項目)	Shanxi	11/15/2017	11/14/2037	20	13,729.9	274,598.0	1,463,000.0
97	Ji County Project[10] (吉縣項目)	Shanxi	7/1/2018	6/30/2034	16	9,893.9	158,302.4	676,800.0
98	Qingxu County Project[11] (清徐縣項目)	Shanxi	7/1/2018	6/30/2026	8	32,235.6	257,884.8	2,118,000.0 m^2, greenway, eight towns and three riversides[7]
99	Taiyuan City Jiancaoping District Project (太原市尖草坪區項目)	Shanxi	2/1/2019	1/31/2027	8	13,896.0	111,168.0	64 villages[4]
100	Chengdu City Xihanggang Street Project[5] (成都市西航港街道項目)	Sichuan	12/30/2016	12/30/2019	3	1,662.8	4,988.3	345,918.0
101	Zigong City Yantan District Project[5][9] (自貢市沿灘區項目)	Sichuan	1/1/2017	12/31/2019	3	3,974.5	11,923.5	494,205.0
102	Xuyong County Project[12] (敘永縣項目)	Sichuan	7/15/2017	7/14/2020	3	15,760.0	47,280.0	1,100,000.0
103	Anyue County Project[10] (安嶽縣項目)	Sichuan	9/1/2018	8/31/2021	3	23,830.0	71,490.0	2,869,000.0
104	Shizong County Project[5][9][19] (師宗縣項目)	Yunnan	2/1/2019	1/31/2022	3	9,611.5	28,834.5	279,369.8 m^2 and 17 public toilets
105	Kunming City Chengong District Project[5] (昆明市呈貢區項目)	Yunnan	6/1/2016	5/31/2021	5	10,663.2	53,316.1	2,687,284.6
106	Simao District Project[5][20] (思茅區項目)	Yunnan	6/16/2016	12/31/2019	3	14,063.7[21]	42,197.8	1,801,000.0
107	Eshan County Project[5] (峨山縣項目)	Yunnan	12/1/2016	11/30/2021	5	4,512.3	22,561.5	522,968.0
108	Kunming City High-tech District Project[5] (昆明市高新區項目)	Yunnan	3/1/2017	2/28/2020	3	5,550.2	16,650.6	1,476,191.7
109	Kunming City Xishan District Project[12] (昆明市西山區項目)	Yunnan	6/16/2017	6/15/2033	16	113,313.3	1,813,012.7	9,155,721.0 m^2 and 77 public toilets[7]
110	Wuding County Project[10] (武定縣項目)	Yunnan	11/1/2017	10/31/2029	12	9,524.3	114,291.6	1,083,343.0
111	Lufeng County Project[10] (祿豐縣項目)	Yunnan	4/1/2018	10/27/2029	11.6	10,050.0	116,580.0	1,338,444.0
112	Dayao County Project[5][9] (大姚縣項目)	Yunnan	4/6/2018	4/5/2023	5	5,999.1	29,995.5	1,107,620.0

Notes:

(1) Annual fee refers to annual payment we are entitled to as stipulated in the service contract. We may receive additional service fees for contingent services we provide. For details, see "— Customers and Sales and Marketing — Our Customers — Environmental Hygiene Service Agreements — Payment of Service Fees."

(2) Certain service contracts do not specify contract area. Instead, these service contracts stipulate geographical coverage, coverage in terms of population, or other aspects that our services are obligated to cover. In addition, despite specifying contract area, certain service contracts also stipulate geographical coverage, coverage in terms of population, or other aspects that our services are obligated to cover.

(3) Annual fee, total contract value, concession period and/or contract area of this project was subsequently adjusted according to supplemental agreement(s) entered into with our customer.

(4) These service contracts do not specify contract area. Instead, these service contracts stipulate geographical coverage, coverage in terms of population, and/or other aspects that our services are obligated to cover.

(5) We operated these projects as of June 30, 2019 and ceased to operate these projects after our disposal of Chongqing Binnan.

(6) As of June 30, 2019, relevant service contracts for these projects had expired. It was the common intention of government's request, Chongqing Binnan and the relevant local governments that Chongqing Binnan would continue to operate these projects until another company wins the bid through public tender process without entering into any formal agreement to extend the concession agreement.

(7) In addition to specifying the contract area, these service contracts also stipulate geographical coverage, coverage in terms of population, and/or other aspects that our services are obligated to cover.

(8) Service contract for this project expired on May 31, 2019. The local government agency entered into three service extension contracts with us in May, June and July 2019, respectively. According to these service extension contracts, we continued to operate this project until August 31, 2019.

(9) As stipulated in the service contract, annual fee will increase at a fixed rate each year thereafter.

(10) As stipulated in the service contract, annual fee will be adjusted according to the formula stipulated in the contract each year thereafter.

(11) As stipulated in the service contract, annual fee will be adjusted according to the formula stipulated in the contract each two years thereafter.

(12) As stipulated in the service contract, annual fee will be adjusted according to the formula stipulated in the service contract each three years thereafter.

(13) Refers to service contracts we entered into for the same project.

(14) According to the service contract and the supplemental agreement for Guigang City Environmental Hygiene Service Project that we entered into with our customer, we are responsible for operation and maintenance of 39 municipal waste transportation stations. The supplemental agreement did not stipulate annual fee or total contract value. Instead, it is stipulated that we are obligated to transport at least 344 tons of municipal waste on a daily basis. In addition, the unit price was stipulated at RMB120.1/ton.

(15) According to the service contract entered into with our customer, we are obligated to transport at least 116,900 tons of garbage annually. The unit price was stipulated at RMB53.8/ton, which was subject to adjustment each three-year thereafter.

(16) As stipulated in the service contract, annual fee for the first two years will not be adjusted while annual fee will be adjusted starting from the third year according to the formula stipulated in the service contract each year thereafter.

(17) Supplemental agreement for this project stipulates extra area we are obligated to cover under this project. In addition, service commencement dates differ for industry park and countryside.

(18) The local government engaged a third party service provider to provide greenway maintenance services for this project before we won the bid. After we won the bid, we assumed the outstanding obligation pursuant to the contract between the local government and this third party service provider and engaged the third party service provider to continue to provide greenway maintenance services. We expect to cease cooperation with this third party service provider after the existing contract expires.

(19) Service contract for this project expired on January 31, 2019. The local government agency entered into a new service contract with us on January 31, 2019.

(20) Service contract for this project expired on June 16, 2019. The local government agency entered into an extension contract with us in June 2019. According to the service extension contract, we will continue to operate this project until December 31, 2019.

(21) According to the extension contract, total service fees for the period from June 17, 2019 to December 31, 2019 were RMB7.0 million.

Environmental hygiene service projects are typically granted to us for operation for the relatively long period of time. A majority of the environmental hygiene service projects that we operated last more than three years. The following table sets forth the revenue expected to be recognized from our environmental hygiene service projects existing as of the Latest Practicable Date in each of the years ending December 31, 2019, 2020, 2021, 2022 and 2023 and onwards.

	During the years ending December 31,(1)				
	2019(3)	2020	2021	2022	2023 and onwards
			RMB'000		
Revenue expected to be recognized(2)	1,839,325.4	1,499,611.8	1,431,732.9	1,334,952.3	7,531,041.0
Revenue expected to be recognized from projects sourced from BEWG	1,249,648.6	966,217.3	957,057.8	953,874.5	6,235,522.2
Revenue expected to be recognized from independently-sourced projects	589,676.8	533,394.5	474,675.1	381,077.8	1,295,518.8

Notes:

(1) This table takes into account projects that are in operation as of the Latest Practicable Date, on the assumptions that (i) these projects are to be carried out by our Group in the exact means as prescribed in the respective service agreements; and (ii) after rendering the services, we will receive the exact amount of payments at the exact time as stipulated in the respective service agreements. We cannot assure you that these revenues will certainly be achieved in the respective period, or at all. In addition, projects related to Chongqing Binnan are not included therein, as we have disposed of our equity interests in Chongqing Binnan and ceased to operate its environmental hygiene service projects since then. For details, see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries."

(2) For consistency purposes, this table only takes into account annual fees of projects in operation as of the Latest Practicable Date, and does not take into account (i) projects of which the annual fees are unascertainable as of yet; and (ii) all other fees (for example, availability payments and other types of variable fees) other than the annual fees. For these reasons, the expected revenue to be recognized set forth herein may be substantially smaller than the actual revenue from our backlog environmental hygiene service projects.

(3) Revenue expected to be recognized during the year ending December 31, 2019 comprises of (i) the actual revenue from environmental hygiene service projects for the six months ended June 30, 2019; and (ii) revenue expected to be recognized for the rest of the year.

The following table sets forth changes in the number of environmental hygiene service projects that we operated in the years ended December 31, 2016, 2017, 2018, the six months ended June 30, 2019, and the period after June 30, 2019 and up to the Latest Practicable Date, respectively.

	For the years ended December 31,			For the six months ended	For the period from June 30, 2019 to the Latest Practicable
	2016	2017	2018	June 30, 2019	Date
Beginning	1	1	71	106	112
Newly added	0	83	48	14	10
Terminated/ ceased to operate	0	13	13	8	34[1]
End of year/period	1	71	106	112	88

Note:

(1) Among the 34 projects terminated or ceased operation, 32 are attributable to Chongqing Binnan, which we disposed of. For details, please see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries."

The following table sets forth (i) the opening contract value brought forward from the previous year, and of newly awarded projects and terminated projects; and (ii) the revenue recognized from environmental hygiene service projects that we operated in the years ended December 31, 2016, 2017 and 2018, the six months ended June 30, 2019, and the period after June 30, 2019 and up to the Latest Practicable Date, respectively.

	For the year ended/as at December 31,			For the six months ended/as at June 30, 2019	For the period after June 30, 2019 and ended/ as at the Latest Practicable Date
	2016[3]	2017	2018		
	(in thousands of HK$)				
Beginning	–	–	12,448,150	15,081,713	15,533,780
Newly added	18,512	13,110,331	4,313,768	1,572,131	357,443
Terminated/ ceased to operate[2]	–	–	(66,780)	(25,215)	(522,057)
Recognized as revenue	(18,512)	(662,181)	(1,613,425)	(1,094,849)	(864,891)
Ending	–	12,448,150	15,081,713	15,533,780	14,504,275

Notes:

(1) For consistency purposes, this table does not take into account (i) projects of which the annual fees are unascertainable as of yet; and (ii) all other fees (for example, availability payments and other types of variable fees) other than the annual fees.

(2) Projects terminated or ceased to operate were not included in the project table set forth under the section headed "Business — Environmental Hygiene Service — Our Project Portfolio" in this Prospectus.

(3) We only had one environmental hygiene service project for the year ended December 31, 2016, the agreement of which did not stipulate an annual fee. Revenue of this year was calculated based on the actual service rendered.

Below are highlights of some of the environmental hygiene service projects that we operated during the Track Record Period.

Kunming City Xishan District Project (昆明市西山區項目)

We won the integrated environmental hygiene service project for Xishan District, Kunming City, Yunnan in 2017 through a public tender. The project covers a contract area of 9.2 million m^2. We are responsible for collection and transportation of garbage with a volume of approximately 266,450 tons per annum. Under BTO model, we are also responsible for remodeling of facilities, including 17 garbage transportation stations and 77 public toilets. The project has a total contract value of approximately RMB1.8 billion with an annual fee of approximately RMB113.3 million. The contract has a term of 16 years. We are required to transfer our interest in the facilities under our service back to the local government agency for no consideration upon the expiration of the contract.

Hejian City Project (河間市項目)

We won the environmental hygiene service project for Hejian City, Hebei in 2016 through a competitive negotiation process. The project covers a contract area of 4.2 million m^2. We are also responsible for operation and maintenance of 13 existing garbage transportation stations and 21 existing public toilets. In addition, we operate a municipal waste landfill station under TOT model for a period of eight years. The project has a total contract value of approximately RMB794.0 million with an annual fee of RMB31.8 million. The contract has a term of 25 years. As one of 31 national representative PPP projects in relation to garbage collection and transportation awarded by the Ministry of Finance, the project was awarded as one of the model project for governmental and social capital cooperation by twenty ministries and departments of PRC central government in 2016.

Qingzhen City Project (清鎮市項目)

We won the environmental hygiene service project for Qingzhen City, Guizhou in 2017 through a public tender. The project covers a contract area of 3.5 million m^2, including seven garbage transportation stations and 48 public toilets. The project has a total contract value of approximately RMB680.8 million with an annual fee of RMB68.1 million. The contract has a term of 10 years. In 2017, Qingzhen City was recognized as "National Sanitary City", "Provincial Civilized Sanitary City" and "Provincial Model City in Social Security Comprehensive Governance."

Renhua County Project (仁化縣項目)

We won the environmental hygiene service project for Renhua County, Guangdong in 2016 through a public tender. The project covers a contract area of approximately 840,000 m^2, which covers 11 garbage transportation stations and 10 public toilets in urban area and 18 villages and 10 towns in the rural area. The project has a total contract value of approximately RMB124.6 million with an annual fee of RMB15.6 million, and has a term of eight years.

Dingxing County Project (定興縣項目)

We won the environmental hygiene service project from Dingxing County, Hebei in 2016 through a public tender. The project covers a contract area of approximately 2.3 million m^2. Pursuant to the contract, we are responsible for financing, construction, operation and maintenance of the project facilities. Our main responsibilities include road cleaning, snow removal and ice shoveling, household garbage collection and transportation, public toilet management, and manure collection and transportation. The project has a total contract value of approximately RMB169.5 million with an annual fee of RMB17.0 million. The contract has a term of 10 years. Dingxing county was recognized as one of the cleanest counties in the province by the People's Government of Hebei Province.

Quannan County Project (全南縣項目)

We obtained the environmental hygiene service project from Quannan County, Jiangxi in 2018 through a public tender. The project covers a contract area of approximately 0.3 million m^2. Our main responsibilities under this project include the cleaning, watering and fertilizing of certain greenways. The project has a total contract value of approximately RMB16.5 million with an annual service fee of RMB5.5 million. The contract has a term of three years. In 2018, Quannan County was recognized as Jiangxi Provincial Sanitary County by the department of health of Jiangxi province.

Shenyang City Huanggu District Project (瀋陽皇姑區項目)

We obtained the environmental hygiene service project from Shenyang City, Liaoning in 2018 through a public tender. The project covers a contract area of approximately 4.9 million m^2 with an annual garbage cleaning and transportation volume of approximately 128,000 tons. Our main responsibilities include road cleaning, operation and maintenance of 18 garbage transportation stations and 28 public toilets in Shenyang. The project has a total contract value of RMB343.7 million with an annual fee of RMB68.7 million. The contract has a term of five years and is renewable three years upon expiration.

OUR HAZARDOUS WASTE TREATMENT BUSINESS

Our Services

Under our hazardous waste treatment business, we process and safely dispose of hazardous waste for industrial companies and medical institutions and charge them waste treatment fees. Our business mainly cover collection, transportation, storage and disposal of wastes such as medical waste and industrial solid waste. During the Track Record Period, our hazardous waste treatment business primarily focused on waste disposal through detoxification treatment. In 2018, we extended our business to recycling and reuse of materials from industrial waste. For details, see "— Our Hazardous Waste Treatment Methods."

We believe that we are equipped with the capability to treat and dispose of a comprehensive range of hazardous waste. Among the 46 major categories of hazardous waste under the National Catalog of Hazardous Waste (國家危險廢物名錄), we are able to treat 38 of them. Leveraging our capabilities and management experience, we have a proven track record of compliance with environmental and safety laws in all material respects. In a highly regulated industry where the grant of new licenses is restricted, we believe that our track record will help differentiate us from our existing competitors as well as new market entrants as we seek to expand into new markets.

Revenue from our hazardous waste treatment business amounted to HK$6.1 million, HK$144.0 million, HK$422.2 million and HK$277.2 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing 24.9%, 15.8%, 19.1% and 18.8% of our total revenue for the same periods, respectively.

Our Project Portfolio

We divide our hazardous waste treatment projects into four categories: projects in operation, projects in trial operation, projects under construction and projects planned for future construction. Projects in operation refer to projects that officially commence hazardous waste treatment business under our operation. Projects in trial operation refer to projects that commence trial operation under our operation. Projects under construction refer to projects that we are currently constructing. Projects planned for future construction refer to projects for which we have signed contracts. As of June 30, 2019, we had five hazardous waste treatment projects in operation and two hazardous waste treatment projects in trial operation. As of December 31, 2018, treatment facilities of our projects that engaged in waste disposal had a total designed treatment capacity of 253,050 tons per annum, ranking sixth in China, according to the F&S Report. Treatment facilities of the other projects that engaged in recycling and reuse had a total designed treatment capacity of 340,000 tons per annum, as of the same date. As of June 30, 2019, we also had two projects under construction and eight projects planned for future construction. In May 2019, we disposed of two hazardous waste treatment projects, namely, (i) Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目) which was operated by Guizhou Cenxiang Resources Technology Co., Ltd. and primarily engaged in recycling and reuse of lead-acid batteries and lead-containing wastes in Guizhou and neighboring areas; and (ii) Jiaxing Waste Disposal Project (嘉興廢物處理項目) which was operated by Jiaxing Innovative Environmental Technology Co., Ltd. and primarily engaged in disposal of liquid waste such as hydrocarbon and waste mixture, waste acid and waste alkali. We acquired these two projects in December 2018. For details, see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries."

Our hazardous waste treatment projects are typically located in industrial parks where we provide hazardous waste treatment business to the surrounding industrial companies. In Guangxi, we also provide hazardous waste treatment business to medical institutions.

Among all of our hazardous waste treatment projects, Ganhe Industrial Park Tailings Storage and Recycling Project and Ge'ermu Industrial Waste Centralized Disposal Project distinguish from other projects because we are only responsible for operation and maintenance of these two projects under operation and maintenance ("**O&M**") model.

The following table sets forth our hazardous waste treatment projects in operation and in trial operation as of June 30, 2019.

	Project name	Location	Business model	Treatment Type	Commencement date of our operation	Treatment method(s)	Designed treatment capacity	Actual treatment volume[1]	Utilization Rate[2]
In Operation									
1.	Shandong Industrial Solid Waste Disposal Center Project[3] (山東省工業固體廢物處置中心項目)	Shandong	Self-owned and operated	Waste disposal	January 2017	Landfill	54,000 tons per annum	2017: 25,329 tons 2018: 43,118 tons First half of 2019: 20,415 tons	2017: 46.9%[4] 2018: 79.8%[4] First half of 2019: 75.6%[4]
						Wastewater and liquid waste flocculation and purification	14,400 tons per annum	2017: 5,640 tons 2018: 2,233 tons First half of 2019: 1,002 tons	2017: 39.2%[4] 2018: 15.5%[4] First half of 2019: 13.9%[4]
						Incineration	13,000 tons per annum	2017: 13,425 tons 2018: 15,420 tons First half of 2019: 7,978 tons	2017: 103.3%[5] 2018: 118.6%[5] First half of 2019: 122.7%[6]
2.	Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project[7] (寧夏睿源廢舊甲醇及混醇回收循環利用項目)	Ningxia	Self-owned and operated	Recycling and reuse	March 2018	Distillation, extraction of alcohol	90,000 tons per annum	2018: 67,825 tons First half of 2019: 65,686 tons	2018: 75.4% First half of 2019: 146.0%[6]
3.	Guangxi Guigang BEWG Medical Waste Disposal Center Project[8] (廣西貴港北控水務醫療廢物處置中心項目)	Guangxi	BOO	Waste disposal	January 2016	Heated steam sterilization	1,650 tons per annum[14]	2016: 1,802 tons 2017: 1,979 tons 2018: 1,979 tons First half of 2019: 1,189 tons	2016: 109.2%[5] 2017: 119.9%[5] 2018: 119.9%[5] First half of 2019: 144.1%[6]

	Project name	Location	Business model	Treatment Type	Commencement date of our operation	Treatment method(s)	Designed treatment capacity	Actual treatment volume[1]	Utilization Rate[2]
4.	Ganhe Industrial Park Tailings Storage and Recycling Project[9] (甘河工業園尾礦渣堆場及循環利用項目)	Qinghai	O&M[9]	Waste disposal	January 2017	Landfill	60,000 tons per annum	2018: 10,998 tons First half of 2019: 0[9]	2018: 18.3%
5.	Ge'ermu Industrial Waste Centralized Disposal Project (格爾木工業廢渣集中處置項目)	Qinghai	O&M[10]	Waste disposal	March 2018	Landfill	100,000 tons per annum	2018: 4,400 tons First half of 2019: 261 tons	2018: 6.3%[11] First half of 2019: 0.5%
In Trial Operation									
6.	Shouguang Industrial Solid Waste Disposal Center Project[12] (壽光市工業固體廢物處置中心項目)	Shandong	Self-owned and operated	Waste disposal	June 2018	Incineration	9,000 tons per annum	2018: 2,338 tons First half of 2019: 1,209 tons	2018: 26.0% First half of 2019: 26.9%
7.	Chongqing Plastics Comprehensive Utilization Project (重慶塑料綜合利用項目)	Chongqing	Self-owned and operated	Recycling and reuse	April 2018	Plastic recycling	50,000 tons per annum	2018: 449 tons First half of 2019: 0[13]	2018: 0.9%

Notes:

(1) For projects in operation we acquired, actual treatment volume refers to actual treatment volume under our operation.

(2) Calculated as actual treatment volume for the year divided by designed treatment capacity and multiplied by 100%. Designed treatment capacity refers to the approved operational scale as set out in the Hazardous Waste Business License. Utilization rate for half year is annualized.

(3) We acquired this project in December 2016. For details, see "History, Reorganization and Corporate Structure — Corporate Development — Shandong Pingfu".

(4) Utilization rates for different treatment method of this project fluctuated during the Track Record Period due to changes in market demand for different treatment methods.

(5) Utilization rate for certain projects exceeded 100% during the Track Record Period. According to the F&S Report, it is common for hazardous waste treatment projects to record a utilization rate exceeding 100%. As advised by our PRC Legal Advisors, pursuant to the relevant PRC laws and regulations, recording a utilization rate exceeding 100% but no higher than 120% would not require the renewal of the relevant Hazardous Waste Business License.

(6) As the utilization rate is annualized, the utilization rate exceeding 120% would not require the renewal of relevant Hazardous Waste Business License.

(7) We acquired this project in March 2018. For details, see "History, Reorganization and Corporate Structure — Corporate Development — Ningxia Ruiyuan".

(8) This is the only hazardous waste treatment project that was transferred from BEWG to us. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, it has generated revenue of approximately RMB5.2 million, RMB4.7 million, RMB7.0 million and RMB3.5 million, respectively, with a gross profit margin of 37.4%, 49.1%, 35.7% and 43.0%, respectively.

(9) As of the Latest Practicable Date, the Hazardous Waste Business License for this project had expired. We are currently applying for renewal of the license and expect to obtain the renewed license in the first half of 2020. As a result, this project did not resume operation in 2019, but is expected to resume operation in the first half of 2020.

(10) Under O&M model, we only charge our customers maintenance fee.

(11) In 2018, the designed treatment capacity for this project as set out in the original hazardous waste business license was 70,000 tons per annum. This license expired in February 2019. According to the renewed hazardous waste business license issued in July 2019, the designed treatment capacity for this project increased to 100,000 tons per annum.

(12) This project commenced operation in October 2019.

(13) This project commenced its trial operation in 2018. It did not commence operation in the first half of 2019 as we were preparing for commencing its official operation, such as conducting equipment testing.

(14) As of December 5, 2019, the designed treatment capacity for this project has increased from 1,650 tons per annum to 3,650 tons per annum.

The following table sets forth certain information of our projects under construction as of June 30, 2019.

	Project name	Location	Business model	Expected treatment Type	Expected date of operation commencement	Expected treatment method(s)	Expected treatment capacity
1.	Yaojiagang Industrial Waste Treatment and Recycling Project[1] (宜昌市姚家港工業廢物處理及資源化項目)	Hubei	Self-owned and operated	Waste disposal	The fourth quarter of 2019[2]	Landfill Wastewater and liquid waste flocculation and purification Incineration[3]	79,346 tons per annum 20,000 tons per annum 27,000 tons per annum[4]
2.	Hami Nangang Construction Materials Cement Kiln Co – Processing Industrial Waste Project (新疆哈密南崗建材水泥窯協同處置工業廢物項目)	Xinjiang	Self-owned and operated	Waste disposal	The fourth quarter of 2019[5]	Cement Kiln Co – processing	50,000 tons per annum

Notes:

(1) As of September 28, 2019, we have completed the construction of this project.

(2) Based on the information available to us as of the Latest Practicable Date, the expected date of operation commencement of this project has changed to the first quarter of 2020.

(3) According to the Hazardous Waste Business License issued on December 10, 2019, the treatment methods for this project are landfill, wastewater and liquid waste flocculation and purification, incineration and sludge drying.

(4) According to the Hazardous Waste Business License issued on December 10, 2019, the designed treatment capacity for landfill, wastewater and liquid waste flocculation and purification, incineration and sludge drying are 43,692 tons per annum, 20,000 tons per annum, 27,000 tons per annum and 9,000 tons per annum respectively.

(5) Based on the information available to us as of the Latest Practicable Date, the expected date of operation commencement of this project has changed to the second quarter of 2020.

The following table sets forth certain information of our projects planned for future construction as of June 30, 2019.

	Project name	Location	Business model	Expected treatment Type	Expected date of operation commencement	Expected treatment method(s)	Expected treatment capacity
1.	Shandong Industrial Solid Waste Disposal Center Project – Phase II (山東省工業固體廢物處置中心項目(二期))	Shandong	Self-owned and operated	Waste disposal	The first quarter of 2021	Incineration	30,000 tons per annum
2.	Shouguang Industrial Solid Waste Disposal Center Project – Phase II (壽光市工業固體廢物處置中心工程項目(二期))	Shandong	Self-owned and operated	Waste disposal	The first quarter of 2021	Incineration Wastewater and liquid waste flocculation and purification Landfill	30,000 tons per annum 18,376 tons per annum 22,298 tons per annum
3.	Zitong Recycling Industrial Park Project (梓潼北控循環經濟產業園項目)	Sichuan	Self-owned and operated	Recycling and reuse	The third quarter of 2021	Incineration Landfill	30,000 tons per annum 20,000 tons per annum
4.	Xianju Waste Incineration Disposal Center Project (仙居縣危廢焚燒處置中心項目)	Zhejiang	Self-owned and operated	Waste disposal	The first quarter of 2021	Incineration	15,000 tons per year
5.	Zigong Industrial Waste Disposal and Recycling Project (自貢市工業危險廢物處置及資源化項目)	Sichuan	Self-owned and operated	Recycling and reuse	The first quarter of 2021[1]	Incineration Landfill	30,000 tons per annum 20,000 tons per annum
6.	Zigong Medical Waste Disposal Center Project – Phase II (自貢市醫療廢物處置中心二期項目)	Sichuan	ROT	Waste disposal	The first quarter of 2020[2]	Heated steam sterilization and incineration	3,614 tons per annum

	Project name	Location	Business model	Expected treatment Type	Expected date of operation commencement	Expected treatment method(s)	Expected treatment capacity
7.	Erdao Lake Industrial Park Project (二道湖工業園危險廢物填埋場項目)	Xinjiang	Self-owned and operated	Waste disposal	The first quarter of 2021	Landfill	100,000 tons per annum
8.	Guangxi Guigang BEWG Medical Waste Disposal Center Upgrading Project(3) (廣西貴港北控水務醫療廢物處置中心擴建項目)	Guangxi	Self-owned and operated	Waste Disposal	The third quarter of 2019	Heated steam sterilization	3,650 tons per annum

Notes:

(1) Based on the information available to us as of the Latest Practicable Date, the expected date of operation commencement of this project has changed to the third quarter of 2021.

(2) Based on the information available to us as of the Latest Practicable Date, the expected date of operation commencement of this project has changed to the fourth quarter of 2020.

(3) As of September 19, 2019, we have completed the construction of this project.

Projects in Operation

Shandong Industrial Solid Waste Disposal Center Project (山東省工業固體廢物處置中心項目)

Our Shandong Industrial Solid Waste Disposal Center Project is located in Zouping County in Shandong and is operated by Shandong Pingfu. It is a comprehensive hazardous waste disposal center that is capable of treating hazardous waste with different treatment methods. This industrial solid waste disposal center provides hazardous waste collection, transportation, storage and disposal services to industrial companies in Shandong. This project is able to treat 38 major categories of hazardous substances in the National Catalog of Hazardous Waste (國家危險廢物名錄), ranking top-tier in China, according to the F&S Report.

Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project (寧夏睿源廢舊甲醇及混醇回收循環利用項目)

Our Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project is located in Ningdong Coal Chemical Industrial Park (寧東基地煤化工園區), adjacent to Sinopec Plant Area and Shenhua Ningxia Coal Industry Group Plant Area. It has been dedicated to providing waste methanol and mixed alcohol recycling service within Ningxia Autonomous Regions and neighboring areas, with a designed treatment capacity of 90,000 tons per annum. By recycling waste methanol and mixed alcohol through our advanced recycling and reuse technology, we are able to produce alcohol related products such as methanol, ethanol, propanol, and butanol and generate revenue from sales of these products afterwards.

Guangxi Guigang BEWG Medical Waste Disposal Center Project (廣西貴港北控水務醫療廢物處置中心項目)

Our Guangxi Guigang BEWG medical waste disposal center collects, transports, stores and disposes of medical waste from the medical institutions in Guigang through heated steam sterilization. We operate this project under BOO model. Under this model, we construct all relevant facilities and are responsible for operation and maintenance of the facilities at our cost. Moreover, we are required to upgrade or renovate the existing facilities to comply with the latest regulatory requirements and meet the increasing demands from customers for waste disposal. Guigang local government guaranteed us a minimum medical waste treatment volume of five tons per day and will make up for the shortfall between the guaranteed minimum medical waste treatment volume and the actual medical waste treatment volume.

Ganhe Industrial Park Tailings Storage and Recycling Project (甘河工業園尾礦渣堆場及循環利用項目)

Our Ganhe Industrial Park Tailings Storage and Recycling Project is located in Ganhe Industrial Park in Huangzhong County, Xining (青海西寧湟中縣甘河工業園). Under O&M model, we are only responsible for operation and maintenance of this project. This project is designed to process tailings from the industrial park through landfill disposal at a hazardous waste landfill station with a volume of 3,100,000 m^3 and a general industrial solid waste storage site with a volume of 600,000 m^3.

Ge'ermu Industrial Waste Centralized Disposal Project (格爾木工業廢渣集中處置項目)

Our Ge'ermu Industrial Waste Centralized Disposal Project is located in Ge'ermu and mainly serves the industrial companies in Qinghai. Under O&M model, we are only responsible for operation and maintenance of this project. Treatment facilities of this project consists of a landfill station with a volume of approximately 3,300,000 m^3 and waste storage site with a volume of 600,000 m^3.

Projects in Trial Operation

Shouguang Industrial Solid Waste Disposal Center Project (壽光市工業固體廢物處置中心項目)

Our Shouguang Industrial Solid Waste Disposal Center Project is located in Bohai Chemical Industrial Park, Yangkou Town, Shouguang (山東壽光羊口鎮渤海化工園) to serve the industrial companies in the park with a major responsibility to dispose of hazardous waste in Weifang. This project focuses on collection, transportation, storage, disposal and recycling of industrial waste. Phase I of this project, which consists of an incineration system with a designed treatment capacity of 9,000 tons per annum, commenced its trial operation in June 2018, and has commenced official operation in the fourth quarter of 2019.

Chongqing Plastics Comprehensive Utilization Project (重慶塑料綜合利用項目)

Our Chongqing Plastics Comprehensive Utilization Project is located at Yongchuan High-tech Zone Gangqiao Industrial Park in Chongqing (重慶永川高新區港橋產業園). Treatment facilities of this project consist of various plastic recycling facilities, such as plastic smashing, cleaning and sorting facilities, plastic extrusion machines and plastic granulators. This project focuses on plastic modification and reuse with a designed treatment capacity of 50,000 tons per annum. The construction of the facilities has been completed and is subject to a construction completion inspection by local governmental authorities. This project commenced its trial operation in April 2018. We plan to commence its official operation in the fourth quarter of 2019.

Projects under Construction

Yaojiagang Industrial Waste Treatment and Recycling Project (宜昌市姚家港工業廢物處理及資源化項目)

Our Yaojiagang Industrial Waste Treatment and Recycling Project is located in Zhijiang Economic Development Zone Yaojiagang Chemical Industrial Park, Yichang (湖北宜昌枝江經濟開發區姚家港化工園區). We operate this project pursuant to a concession agreement entered into with the local government. This project is expected to collect and dispose hazardous waste mainly from Yinchang City and surrounding areas. It is expected to become a comprehensive hazardous waste disposal center with a designed treatment capacity of approximately 100,000 tons per annum. The hazardous substances it is able to treat designed to cover 40 major categories and 361 sub-categories in the National Catalog of Hazardous Waste (國家危險廢物名錄). As of September 28, 2019, we have completed the construction of this project and it is expected to commence its trial operation in the first quarter of 2020.

Hami Nangang Construction Materials Cement Kiln Co-processing Industrial Waste Project (新疆哈密南崗建材水泥窯協同處置工業廢物項目)

Our Hami Nangang Construction Materials Cement Kiln Co-processing Industrial Waste Project is located in the factory area of Xinjiang Nangang Cement Co., Ltd. (新疆南港水泥有限公司). Leveraging the existing cement kiln production lines owned by our business partner, we plan to build hazardous waste co-processing facilities with a designed treatment capacity of 50,000 tons per annum. Relevant government agencies have concluded the environmental impact assessment of this project in June 2018. As a result, we have initiated preliminary design of this project and is expected to commence its trial operation in the second quarter of 2020.

Projects Planned for Future Construction

Shandong Industrial Solid Waste Disposal Center Project Phase II (山東省工業固體廢物處置中心項目(二期))

We expect to upgrade the designed incineration capacity of Shandong industrial solid waste disposal center by 30,000 tons per annum through this project. We also plan to upgrade the ancillary facilities in this disposal center.

Shouguang Industrial Solid Waste Disposal Center Project Phase II (壽光市工業固體廢物處置中心項目(二期))

We expect to upgrade the designed treatment capacity of existing incineration facilities in Shouguang industrial solid waste disposal center by 30,000 tons per annum through this project. In addition, we plan to develop new landfill station and wastewater flocculation and purification facilities in this center. We expect this center to become an important public facility in Shouguang with comprehensive hazardous waste disposal capabilities as well as a research and development center for hazardous waste disposal methods in Shouguang.

Zitong Recycling Industrial Park Project (梓潼北控循環經濟產業園項目)

In December 2018, the local government of Zitong County entered into an investment agreement with us and an Independent Third Party to develop Zitong Recycling Industrial Park Project. It is expected to become a comprehensive hazardous waste disposal and recycling project, which is able to dispose of hazardous waste through incineration and landfill. In addition, the project is expected to extend its service offerings to recycling and reuse through recycling precious metals from sludge.

Xianju Waste Incineration Disposal Center Project (仙居縣危廢焚燒處置中心項目)

In December 2018, the administrative committee of Xianju Economic Development Area entered into a cooperation agreement with us to develop Xianju waste incineration disposal center. This disposal center is expected to dispose of hazardous waste from industrial companies in Xianju County through incineration.

Zigong Industrial Waste Disposal and Recycling Project (自貢市工業危險廢物處置及資源化項目)

We plan to locate Zigong Industrial Waste Disposal and Recycling Project in Zigong. This project is expected to dispose of hazardous waste from Zigong and neighboring areas through incineration and landfill. This project is also expected to dispose of industrial wastewater and hazardous liquid waste.

Zigong Medical Waste Disposal Center Project Phase II (自貢市醫療廢物處置中心項目(二期))

Zigong medical waste disposal center treats medical waste from the medical institutions in Zigong. Phase II of the project is expected to increase its designed treatment capacity to meet the increasing demands from local customers. Under the ROT model, we are responsible for renovating the medical waste treatment facilities for Phase II of this project and operating these facilities for 20 years before we transfer the right of operation for these facilities back to the local government in Zigong.

Erdao Lake Industrial Park Project (二道湖工業園危險廢物填埋場項目)

We plan to locate this project in Erdao Lake Industrial Park in Xinjiang. This project is expected to dispose of hazardous waste from industrial companies in the park through landfill.

Guangxi Guigang BEWG Medical Waste Disposal Center Upgrading Project (廣西貴港北控水務醫療廢物處置中心擴建項目)

This project is expected to significantly increase the designed treatment capacity for Guangxi Guigang BEWG medical waste disposal center. In 2019, Guigang local government approved our application to increase the minimum treatment volume of Guangxi Guigang BEWG Medical Waste Disposal Center Project to ten tons per day.

Our Hazardous Waste Treatment Methods

Our hazardous waste treatment methods mainly consist of waste disposal through detoxification treatment and recycling and reuse. The former include landfill disposal, incineration and wastewater and liquid waste flocculation and purification.

Waste Disposal through Detoxification Treatment

- Landfill Disposal

We are currently able to treat and dispose of 38 categories of hazardous industrial waste under the National Catalog of Hazardous Waste (國家危險廢物名錄).

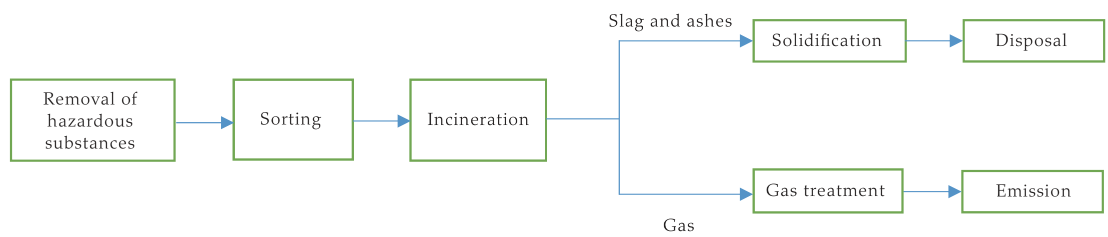
The following chart sets forth the process of landfill disposal at our facilities.

Solidification → Stabilization → Disposal

Before being disposed of at landfills, hazardous industrial waste typically needs to undergo a solidification and stabilization process, where it is mixed with binding reagents, such as cement and ashes, as well as chemical stabilizers, to immobilize the contaminants it contains. For powder and lumps that remain after stabilization, routine operations include construction of roads, transportation, paving, compacting or stacking, watering for dust reduction, covering, and closure.

- Incineration

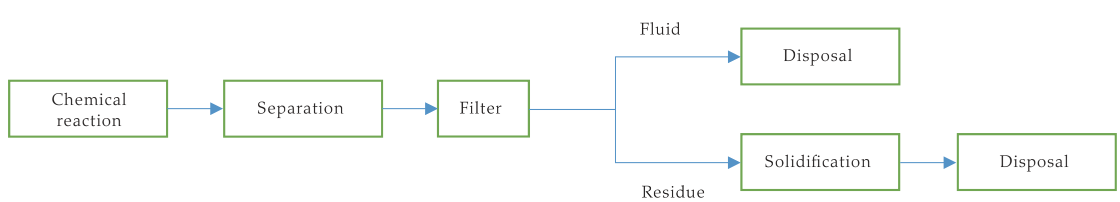
Incineration is a waste treatment process that involves combustion of organic substances contained in waste materials to reduce the volume of solid waste. The following chart sets forth the process of incineration at our facilities.



Prior to the incineration of hazardous waste, necessary treatment must be carried out so that the calorific value meets the incineration requirements. The contents of heavy metals, chlorine, and fluorine are mixed at the proper portion. We pre-treat industrial waste before incineration to remove hazardous substances that are unsuitable for incineration. After such removal, remaining waste is transported to the incineration facilities and sorted so that compatible materials can undergo incineration together. Slag and ashes from incineration are disposed of at landfills after solidification. Gas from incineration undergo a gas treatment process where ashes, acid, heavy metal and other hazardous substances are further removed from the gas before emission. We have installed detection systems to ensure the compliance with the applicable national and regional emission standards.

- Wastewater and Liquid Waste Flocculation and Purification

The following chart sets forth the process of wastewater and liquid waste flocculation and purification at our facilities.



Wastewater and liquid waste flocculation and purification is an important process in the process flow of hazardous waste disposal. The purpose of this process is to reduce or even eliminate the hazardous substance of liquid hazardous waste before final disposal. After undergoing physical methods and chemical reactions, fluid is separated by a frame filter press from the liquid hazardous waste and sent to the sewage treatment plant for disposal. The residue after undergoing pressure filtration is solidified and will be disposed of at the landfill.

Recycling and Reuse

In 2018, we extended our business to the recycling and reuse of materials from industrial waste. For example, Ningxia Ruiyuan engages in waste methanol and mixed alcohol recycling. See "Our Hazardous Waste Treatment Business — Our Project Portfolio — Projects in Operation — Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project." The recycling and reuse methods vary significantly depending on the materials we are to recycle and reuse.

OTHERS

Our other business represents waste electrical and electronic equipment treatment business. As of June 30, 2019, we had three waste electrical and electronic equipment treatment projects in three provinces, including one project under construction. Revenue from our waste electrical and electronic equipment treatment business amounted to HK$106.2 million, HK$176.2 million and HK$103.2 million for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively, representing 11.6%, 8.0% and 7.0% of our total revenue for the same periods, respectively. In 2018, we ranked thirteenth in China's waste electrical and electronic equipment treatment market in terms of our total approved treatment capacity, accounting for approximately 1.7% of the total approved treatment capacity in China, according to the F&S Report. In 2018, we decided to strategically focus our resources on our core business, namely environmental hygiene services and hazardous waste treatment services. Our management has neither formulated any strategy to further develop our waste electrical and electronic equipment treatment business nor intended to contribute further capital to such business.

We procure 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. Certain components of such equipment, such as cathode ray tubes and refrigerants, contain hazardous substances that may be harmful to human health and cause environmental pollution and accordingly, require proper processing and disposal. In China, only qualified service providers may conduct waste electrical and electronic equipment treatment business. We believe that we have stable supplies from local waste electrical and electronic equipment recycling stations in the regions we operate due to the limited number of qualified service providers in such regions we operate. We usually enter into one-year supply agreements with the local waste electrical and electronic appliances recycling stations, and our purchase price from them is based on the market price.

Our Waste Electrical and Electronic Equipment Treatment Project Portfolio

The following table sets forth our waste electrical and electronic equipment treatment projects as of June 30, 2019:

	Project name	Commencement date of our operation	Licensing validity period	Approved treatment capacity	Actual treatment volume[1]	Utilization rate
				(pieces)	*(pieces)*	
1.	Shaanxi Waste Electronic Appliance and Digital Product Recycling and Reuse Showcase Project (陝西廢棄電器和電子產品回收及利用示範項目)	January 2017	To June 2021	1,000,000 per annum	2018: 644,592 First half of 2019: 360,451	2018: 64.5%
2.	Jiangxi Waste Electrical and Electronic Equipment Treatment and Recycling Project (江西廢棄電器和電子產品處理及資源化項目)	September 2017	To October 2023	1,150,000 per annum	2018: 612,441 First half of 2019: 405,699	2018: 53.3%
3.	Guangxi Wuzhou Waste Household Electronic Appliance and Digital Product Dismantling Project (廣西梧州廢舊家電和電子產品拆解項目)	Not applicable[2]	To December 2021	600,000 per annum	Not applicable[2]	Not applicable[2]

Notes:

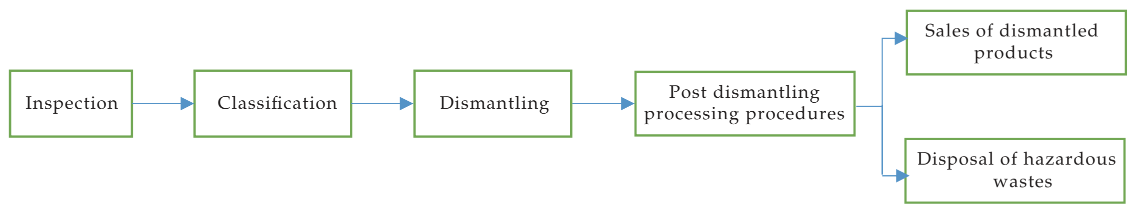
(1) These statistics are subject to the PRC governmental authorities' further review and approval.

(2) This project completed relevant inspection and acceptance procedures in December 2018. It did not commence operation in 2019 because as of the Latest Practicable Date, Guangxi Beijing Enterprises Urban Resources Ltd. was still in the application process for being included in the List of Enterprises Subsidized by the National Waste Electronic Appliance and Digital Product Disposal Fund.

We intend to apply for renewal of licenses for our existing three waste electrical and electronic equipment treatment projects prior to their expiry. However, we have no plan to enter into new waste electrical and electronic equipment treatment projects.

Our Waste Electrical and Electronic Equipment Treatment Methods

The following chart sets forth the process of waste electrical and electronic equipment treatment at our facilities.



After the suppliers transport waste electrical and electronic appliances to us, we typically conduct quality inspection on the incoming appliances and classify them according to their categories and models, as well as their eligibility for government subsidies. We dismantle waste electrical and electronic appliances in accordance with our treatment process. Firstly, we dismantle waste electrical and electronic appliances manually with tools to cut off power lines and remove dust and shells. Then, we dismantle main components contained in waste electrical and electronic appliances in accordance with their sub-categories. We collect different types of components, including iron scrap and aluminum scrap, and collect hazardous waste that are contained in waste electrical and electronic appliances. Afterwards, we perform certain processing procedures, which include crushing, disassembling, sorting and packing the components that have been dismantled. In the end, we sell dismantled products to downstream enterprises, which primarily consist of metal product enterprises and plastic product enterprises. We designate companies which possess relevant qualifications to dispose of hazardous waste collected during our treatment process of waste electrical and electronic appliances because we believe it is cost-effective for our business.

OUR DISCONTINUED OPERATION

In June 2018, we disposed of Gansu Huayi to BE Zhongkecheng. For details of this transaction, please see "History, Reorganization and Corporate Structure — Reorganization — Disposal of non-core Business — Disposal of Gansu Huayi" and "Financial Information — Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Discontinued Operation" of this Prospectus. Before the disposal, Gansu Huayi was primarily engaged in waste electrical appliances dismantling and electronic waste disposal.

Gansu Huayi had an approved treatment capacity of 2,850,000 pieces per annum in 2018. Before the disposal, for the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2018, Gansu Huayi recorded an actual treatment volume (which is subject to the PRC governmental authorities' further review and approval) of 1,805,958, 2,016,161 and 563,912 pieces, respectively. During the Track Record Period, major customers of Gansu Huayi primarily consisted of metal product enterprises, plastic product enterprises and recycling enterprises. These enterprises purchased dismantled products, including metal scrap and plastics from Gansu Huayi.

OUR PROJECT MANAGEMENT PROCESS

Project Sourcing

Environmental Hygiene Service Projects

The customers for our environmental hygiene service are primarily local government agencies or their designees, which engage social enterprises to provide environmental hygiene services as part of the public services. Pursuant to the applicable PRC laws and regulations, local government agencies generally go through a public tender process to engage social enterprises to provide such services. Therefore, we identify prospective environmental hygiene service projects mainly through open tenders which are communicated through various channels, such as announcements by local government agencies. We may also seek to source projects by investing in project companies together with certain local enterprises when we expand into new regions. For example, we have entered into some strategic cooperation agreements with some of our suppliers to extend our cooperation to project sourcing. See "— Our Suppliers." During the Track Record Period, we generally secure our project through a public tender or competitive negotiation process. There were also certain projects that were obtained by the subsidiaries of BEWG and then transferred to us.

Our investment management department is dedicated to collecting information of open tenders nationwide, and selecting and approaching potential customers. In identifying a prospective project, we apply a disciplined and rigorous project selection criteria based on a systematic assessment mechanism. We typically screen prospective environmental hygiene service projects with the following main criteria: (i) the financial condition and credit quality of the potential customer; (ii) profitability of the project as compared to our internally determined minimum threshold for our projects; (iii) our existing presence in the region where the project is located and the potential to expand our presence in the same region; and (iv) the probability of our success in securing the prospective project.

Once we have identified a prospective environmental hygiene service project, we formulate a project plan which specifies, among others, the frequency and schedules of street cleaning and garbage collection, the combination of mechanized cleaning vehicles and manual cleaning and the technique we propose to use in operating and maintaining environmental hygiene services facilities, such as garbage transportation stations and public toilets, based on (i) the proposed contract price, (ii) the project specifications in the open tenders, such as the area that our services are expected to cover and the investment amount, and (iii) our internally determined minimum rate of return. We actively communicate with customers to understand their needs during the course of our project planning.

Based on our project plans, we prepare tender documents and submit to customers. The factors that the customer considers in assessing a tender vary from project to project, but generally include the applicant's credentials, reputation and experience, the proposed project plans as well as the proposed commercial terms. We believe that our premium brand name, proven track record and strong shareholder support have benefited us in securing new environmental hygiene service projects. Upon securing the tender, we enter into the contract with our customer. The agreement typically require us to establish project companies to operate the project and prohibit us from assigning or transferring the project operation to any third parties.

In addition, we operate and maintain facilities for certain projects under specific models, namely, BTO model and TOT model, pursuant to which the customers are generally local government agencies. Under BTO model, we bear the costs of construction and operation of the project facilities during the concession period. Generally, the local government agency pays us usage fee for the facilities and service fee for our operation of the facilities on a quarterly basis. We would agree with the local government agency on a guaranteed minimum waste treatment volume. Upon the expiration of the concession period, we are required to transfer the facilities to the local government agency for no consideration. Under TOT model, we are required to transfer back the ownership of relevant environmental hygiene service facilities constructed by local government agencies to local government agencies for no consideration upon the expiration of the concession period.

In March 2019, Chongqing Binnan received notice of administrative penalty from local government agency in Chongqing for misrepresentation made in our tender documents. For details, see "— Non-compliance — Failure to Comply with the Government Procurement Law in Bidding."

Hazardous Waste Treatment Projects

We identify prospective hazardous waste treatment projects mainly in regions with a high concentration of industrial companies and large volume of industrial waste output. Specifically, we take into account of the industrialization and urbanization level, the severity and public awareness of local environmental issues and the level of environmental compliance enforcement to evaluate the local demand for our hazardous waste treatment business. We take into account of the favorable policies issued by the local government, our relationship with local government, the infrastructure and urban planning in the region and the availability and cost of financing as well.

Waste Electrical and Electronic Equipment Treatment Projects

We mainly identify prospective projects in the regions where large amounts of waste electrical and electronic equipments are generated. Specifically, we select regions based on the adequacy of waste electrical and electronic appliances, the costs of transportation and operations as well as the level of local competition.

Project Construction, Operation and Maintenance

We typically build our hazardous waste treatment facilities and waste electrical and electronic equipment treatment facilities by engaging third party contractors. We also build environmental hygiene service facilities for certain projects. For example, we undertake to build garbage transportation stations and/or public toilets for our integrated environmental hygiene service projects. Prior to the commencement of the construction of our facilities, we are required to obtain various approvals, including feasibility approvals, environmental impact assessments, land planning permits, land use right permits, construction planning permits and permits for commencement of construction. Where the local government agency enters into a concession agreement with us, the local government agency usually agrees to assist us in obtaining necessary approvals for the construction. Our contractors are usually responsible for design, construction and supervision of construction of our facilities. We select construction contractors based on their industry experience, reputation and commercial terms. Where the local government agency enters into a concession agreement with us, we may be required to file our selection of construction contractors and qualification of construction supervisors with the local government agency. We are required to file the construction progress with the local government agencies regularly, and the local government agencies may conduct inspections of the construction from time to time.

For our hazardous waste treatment facilities, after passing construction completion inspections, we apply to the competent governmental authorities for an approval for trial operation. After a period of trial operation, we apply for Hazardous Waste Business License from the competent governmental authorities to officially commence operation.

CUSTOMERS AND SALES AND MARKETING

Our Customers

Our customers for environmental hygiene services are primarily local government agencies in the PRC or their designees. As we started to offer property management services along with our environmental hygiene services since 2019, our customers for environmental hygiene services also include enterprises in 2019. Our customers for the hazardous waste treatment business are mainly industrial companies. We also serve medical institutions in Guangxi through Guangxi Guigang BEWG Medical Waste Disposal Center Project. Our customers for hazardous waste treatment business provide their hazardous waste to us for our treatment. Our customers for the waste electrical and electronic equipment treatment business include downstream waste recycling enterprises and metal and plastic product enterprises.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our five largest customers accounted for approximately 84.7%, 21.6%, 13.9% and 15.6% of our total revenue, respectively. During the same periods, our largest customer accounted for approximately 75.1%, 5.2%, 3.6% and 5.3% of our total revenue, respectively.

The following table sets forth details of our five largest customers during the Track Record Period.

For the year ended December 31, 2016

Customer	Primary service provided	Revenue amount	% of total revenue	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Customer A	Environmental hygiene services	18,506	75.1	4	Local government agency in Guangxi
Customer B	Hazardous waste treatment	913.0	3.7	4	Hospital in Guangxi
Customer C	Hazardous waste treatment	672.0	2.7	4	Hospital in Guangxi
Customer D	Hazardous waste treatment	447.0	1.8	4	Hospital in Guangxi
Customer E	Hazardous waste treatment	332.0	1.3	4	Hospital in Guangxi

For the year ended December 31, 2017

Customer	Primary service provided	Revenue amount	% of total revenue	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Customer F	Waste electrical and electronic equipment treatment	47,429.0(1)	5.2	3	Local government agency in Shaanxi
Customer G	Environmental hygiene services	37,994.0	4.2	3	Local government agency in Guizhou
Customer H	Environmental hygiene services	37,606.0	4.1	3	Local government agency in Hebei
Customer I	Environmental hygiene services	37,166.0	4.1	3	Local government agency in Hebei
Customer J	Environmental hygiene services	36,730.0	4.0	3	Local government agency in Guizhou

For the year ended December 31, 2018

Customer	Primary service provided	Revenue amount	% of total revenue	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Customer J	Environmental hygiene services	80,594.0	3.6	3	Local government agency in Guizhou
Customer K	Environmental hygiene services	63,784.0	2.9	3	Local government agency in Hebei
Customer L	Environmental hygiene services	57,087.0	2.6	2	Local government agency in Henan
Customer H	Environmental hygiene services	55,608.0	2.5	3	Local government agency in Hebei
Customer F	Waste electrical and electronic equipment treatment business	50,792.0(1)	2.3	3	Local government agency in Shaanxi

For the six months ended June 30, 2019

Customer	Primary service provided	Revenue amount	% of total revenue	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Customer M	Environmental hygiene services	78,755	5.3	2	Local government agency in Yunnan
Customer N	Environmental hygiene services	42,648	2.9	2	Local government agency in Liaoning
Customer K	Environmental hygiene services	38,544	2.6	3	Local government agency in Hebei
Customer J	Environmental hygiene services	36,723	2.5	3	Local government agency in Guizhou
Customer O	Environmental hygiene services(2)	33,408	2.3	1	Oil and gas state-owned enterprise

Notes:

(1) Represents subsidies granted by local government agency for waste electrical and electronic equipment treatment.

(2) Include property management services which we started to offer in 2019.

We had only one revenue-generating environmental hygiene service project, namely Guigang City Environmental Hygiene Service Project as of December 31, 2016. Our customer of this project, namely the local government agency in Guangxi, was our largest customer in 2016, contributing approximately 75.1% of our total revenue in the same year. The contribution to our revenue from the local government agency in Guangxi decreased along with the increase in the numbers of our projects during the Track Record Period.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period.

Environmental Hygiene Service Agreements

We operate the environmental hygiene service projects pursuant to the concession agreements with our customers. While the specific contractual terms vary from project to project, a summary of the key contractual terms is set out below:

Concession Right and Geographic Scope of Services

Environmental hygiene service projects are typically granted to us for operation for a relatively long period of time. The terms of concession rights specified in the concession agreements outstanding as of June 30, 2019 ranged from one to 30 years.

The concession agreements specify the geographic location where we provide services and typically include an area that our services should cover. We are typically responsible for cleaning streets and operating and maintaining garbage transportation stations and public toilets within the area, along with other environmental hygiene services we are responsible for. The concession agreements include detailed schedules and stipulate frequency of our street cleaning and cleaning of garbage transportation stations and public toilets.

Quality Requirements

The concession agreements normally stipulate detailed procedures for us to follow during our operation of environmental hygiene service projects. The agreements also stipulate detailed quality standards and penalties for any failure to meet such quality standards. The penalties will be deducted from our service fees. See "— Payment of Service Fees." Our customers may terminate the concession agreements with us if we constantly fail to meet the quality standards during a specific period of time. In 2018, one local government agency terminated the concession agreement with us as it was not satisfied with the environmental hygiene services we provided. As claimed by the local government agency, the level of mechanization in our operation did not meet their requirement, and we were not able to collect garbage in a timely manner. We are not aware of any other concession agreements which may be terminated by local government agencies for similar reasons.

Use of Mechanized Cleaning Vehicles

Some of the concession agreements stipulate the degree of mechanization of our environmental hygiene services. We are usually required to procure and maintain mechanized cleaning vehicles. Some of the agreements allow us to lease or purchase mechanized cleaning vehicles from the local government agencies or sell the mechanized cleaning vehicles we procured back to the local government agencies upon termination of the concession agreements.

Payment of Service Fees

The service fees are typically determined based on the area that our environmental hygiene services cover and payable on a monthly or quarterly basis. Generally, in determining our services fees, we take into account a number of factors, including: (i) prevailing market rates; (ii) a cost analysis based on scale and location of the project, scope of services to be provided, manpower and other resources to be allocated, consumable, and mechanized vehicles and equipment required and relevant concession period; (iii) our profit margins; and (iv) existing customer relationship, if any. We may receive additional service fees for contingent services we provide, for example, the services we provide in the case of emergency. Our customers may deduct a penalty from the service fees if the services we provide fail to meet the requirements specified in the concession agreements. See "— Quality Requirements." We may apply to adjust the service fees in certain circumstances specified in the concession agreements, which includes an increase of the area that our services cover due to changes of urban planning, an increase in the wage standard in the local environmental hygiene sector and an increase in the fuel price for mechanized cleaning vehicles.

Specific terms under TOT model and BTO model

For projects we operate and manage under TOT model, we are required to transfer back the ownership of relevant environmental hygiene service facilities which are constructed by local government agencies to local government agencies for no consideration upon the expiration of the stipulated concession period. However, we may request to extend the concession period prior to the expiration.

For projects we operate and manage under BTO model, we are responsible for the costs of construction and operation of the project facilities during the concession period. Upon the expiration of the concession period, we are required to transfer the facilities to the local government agencies for no consideration.

Property Management Service Agreements

Pursuant to the property management service agreements, we are responsible for providing hygiene services and property management services in certain residential and office areas in Beijing for the term of 10 years. We have engaged third party service providers to provide part of the services, such as fire safety management services. The services fees are determined based on the type of services we provide and payable on a monthly basis.

We receive our services fees for property management services from enterprises while we receive the services fees for environmental hygiene services from local government agencies. Such services fees are typically paid from fiscal budgets of local governments.

We believe that our environmental hygiene service will continue to generate stable revenue for us. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, revenue from our environmental hygiene service amounted to HK$18.5 million, HK$662.2 million, HK$1,613.4 million and HK$1,094.8 million, respectively, representing 75.1%, 72.6%, 72.9% and 74.2% of our total revenue for the same periods, respectively.

Our Hazardous Waste Treatment Agreements

A summary of the key contractual terms with the customers for our hazardous waste treatment business is set out below.

Types of Hazardous Waste

Our hazardous waste treatment agreements typically include types of hazardous waste we are required to treat, which correspond to the categories in the National Catalog of Hazardous Waste (國家危險廢物名錄). The agreements also specify the expected volume of each type of the hazardous waste to be treated and the waste treatment fees for each type of the hazardous waste. Our customers would provide us with the information of the hazardous waste they request us to treat and are responsible for covering our losses arising from the misrepresentation of such information they provide to us.

Transportation of Hazardous Waste

Our customers are typically responsible for sorting and packaging the hazardous waste that they request us to treat. We are typically required to designate third parties with qualifications for hazardous waste transportation to transport the hazardous waste from the location of our customers to our facilities. The third parties are liable for any leakage or pollution during the course of transportation. We collect hazardous waste from our customers upon their notices.

Payment of Waste Treatment Fees

Our waste treatment fees are determined based on the type and volume of hazardous waste we treat and payable by our customers upon their receipt of our invoices. Waste treatment fees may also vary significantly according to the types of hazardous waste based on the hazardous characteristics, the difficulty of the treatment process, the volume of disposal required, and the guidance price for the applicable category of waste set by local government. In addition, the waste treatment volume of each of our hazardous waste treatment projects is limited by the treatment capacity and governmental approvals for the relevant project. As a result, the average waste treatment fees with respect to a period are affected by the mix of different types of hazardous waste, with different unit treatment prices, that we have treated over such period. The agreements typically allow us to adjust the waste treatment fees through negotiation with our customers under certain circumstances, such as significant fluctuations of market price or costs of hazardous waste disposal.

Concession Right

For Guangxi Guigang BEWG Medical Disposal Center Project, we have entered into a concession agreement with Guigang local government. Therefore, Guigang local government is prohibited from establishing or approving establishment of other medical waste disposal facilities in the geographic scope specified in the concession agreement, or providing medical waste from the geographic scope specified in the concession agreement to any third party disposal facilities for disposal. In return, we are prohibited from disposing of medical waste beyond the geographic scope specified in the concession agreement. All other hazardous waste treatment agreements do not contain such concession right.

Sales and Marketing

We primarily engage in sales and marketing activities for our hazardous waste treatment business. As of the Latest Practicable Date, our sales and marketing team for hazardous waste treatment business consist of 52 employees. Our sales and marketing team focuses its marketing efforts on major industrial companies within our target area. Our sales and marketing team is also responsible for maintaining local customer relationships and promoting our services with local major industrial companies. We generally do not engage in sales and marketing activities for our environmental hygiene services. Generally, our investment management department keeps track of open tender notices in the media, local newspapers and government websites, and prepares for tender proposals and price quotes. For details, see "— Our Project Management Process — Project Sourcing — Environmental Hygiene Service Projects."

OUR SUPPLIERS

We procure different types of goods and services from suppliers for our different business segments. Typical goods we procure for environmental hygiene services include fuel used for mechanized cleaning vehicles and other consumables used in our business operation. Sometimes, we procure construction services for facilities for environmental hygiene services. We mainly procure materials and consumables used in our hazardous waste treatment business from chemical companies. We mainly procure waste electrical and electronic appliances from individuals who collect waste electrical and electronic appliances and waste electrical and electronic appliance recycling stations.

In 2018, we extended our hazardous waste treatment business to recycling and reuse of materials from industrial waste through Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project, which has been dedicated to providing waste methanol and mixed alcohol recycling service. Therefore, we started to procure waste methanol and mixed alcohol from chemical companies for our further processing since 2018.

During the Track Record Period, we also procured certain ancillary services in relation to our hazardous waste treatment business at Guangxi Guigang BEWG Medical Waste Disposal Center Project. In 2016, we engaged a waste treatment and environmental protection related service provider to dispose of sludge and used filters for Guigang Medical Waste. During the Track Record Period, we also engaged two other waste treatment and environmental protection related service providers to conduct environmental monitoring services for Guigang Medical Waste on a quarterly basis. All these service providers are Independent Third Parties.

We centralize our procurement of certain consumables for our environmental hygiene service, including garbage bins. Our project companies are responsible for the procurement of cleaning supplies and tools, laboratory reagents and vehicle maintenance tools.

We implement strict procurement procedures. Depending on the price and quantity of the supplies we are to procure, we may invite suppliers to bidding or competitive negotiation. We maintain a list of eligible suppliers, and the suppliers need to be approved by a designated committee before we make any purchase.

During the Track Record Period, we have entered into strategic cooperation agreement with certain of our suppliers for environmental hygiene services, which are generally major environmental hygiene equipment manufacturers. Key terms included in most of our strategic cooperation agreements are summarized as follows:

- *Term.* Generally one to three years.

- *Amount.* Generally determined on project-by-project basis.

- *Scope.* Both parties agree to cooperate in business operation, research and development and future project investment.

- *Termination.* The agreement may generally be terminated by one party's prior notice to the other.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our five largest suppliers accounted for approximately 11.1%, 11.0%, 9.6% and 5.7% of our total cost of sales, respectively. During the same periods, our largest supplier accounted for approximately 8.8%, 3.3%, 5.9% and 3.8% of our total cost of sales, respectively.

The following table sets forth details of our five largest suppliers during the Track Record Period.

For the year ended December 31, 2016

Supplier	Goods/services procured	Purchase amount	% of total cost of sales	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Supplier A	Fuel	1,382.0	8.8	4	Oil and gas state-owned enterprise
Supplier B	Fuel	157.0	1.0	4	Oil and gas state-owned enterprise
Supplier C	Medical waste container	108.0	0.7	4	Environmental products enterprise
Supplier D	Waste treatment ancillary service(1)	70.0	0.4	1	Environmental protection related service provider
Supplier E	Waste treatment ancillary service(2)	23.0	0.1	1	Waste treatment and environmental protection related service provider

For the year ended December 31, 2017

Supplier	Goods/services procured	Purchase amount	% of total cost of sales	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Supplier F	Construction service	21,951.0	3.3	3	State-owned construction company
Supplier G	Waste electronic appliance	19,310.0	2.9	3	Individual who collects waste electrical and electronic appliances
Supplier H	Waste electronic appliance	19,203.0	2.9	3	Individual who collects waste electrical and electronic appliances
Supplier I	Chemicals	6,904.0	1.0	3	Chemical company
Supplier J	Waste electronic appliance	5,997.0	0.9	3	Individual who collects waste electrical and electronic appliances

For the year ended December 31, 2018

Supplier	Goods/services procured	Purchase amount	% of total cost of sales	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Supplier K	Chemicals	93,053.0	5.9	2	State-owned coal company
Supplier L	Waste electronic appliance	20,620.0	1.3	3	Individual who collects waste electrical and electronic appliances
Supplier G	Waste electronic appliance	16,128.0	1.0	3	Individual who collects waste electrical and electronic appliances
Supplier M	Chemicals	11,752.0	0.7	2	Chemical company
Supplier N	Fuel	10,456.0	0.7	2	Oil and gas state-owned enterprise

For the six months ended June 30, 2019

Supplier	Goods/services procured	Purchase amount	% of total cost of sales	Approximate length of relationship	Background
		In thousands of HK$	*%*	*Years*	
Supplier K	Chemicals	41,634	3.8	2	State-owned coal company
Supplier L	Waste electronic appliance	5,643	0.5	3	Individual who collects waste electrical and electronic appliances
Supplier O	Waste electronic appliance	5,254	0.5	2	Individual who collects waste electrical and electronic appliances
Supplier P	Waste electronic appliance	5,023	0.5	3	Individual who collects waste electrical and electronic appliances
Supplier Q	Waste electronic appliance	4,672	0.4	1	Individual who collects waste electrical and electronic appliances

Notes:

(1) Represented environmental monitoring services provided by Supplier D to Guigang Medical Waste.

(2) Represented disposal of sludge and used filters by Supplier E for Guigang Medical Waste.

During the Track Record Period, we maintained multiple suppliers to avoid reliance on any of our suppliers, and we did not experience any shortage or delay in our supplies. In addition, we did not experience material fluctuations of supplies for our procurement.

None of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of our share capital as of the Latest Practicable Date, had any interest in any of our five largest suppliers during the Track Record Period.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Many government agencies that sign contracts with environmental hygiene service providers also supply fixtures and mechanized cleaning vehicles to environmental hygiene service providers. In accordance with certain service contracts we entered into with government agencies, it is stipulated that we will lease fixtures and mechanized cleaning vehicles from them to provide environmental hygiene services. According to F&S Report, it is common in the industry that government agencies to become customers and suppliers at the same time for environmental hygiene services. As a result, certain government agencies may become both our supplier and our customer in any particular period. During the Track Record Period, among our top five customers, Customer H, a local government agency in Hebei, became our customer and supplier in 2017 pursuant to the service contract. Customer L, a local government agency in Henan, became our customer and supplier in 2018 pursuant to the service contract. Customer K, a local government agency in Hebei, became our customer and supplier in 2017, pursuant to the service contract.

During the Track Record Period, among our top five suppliers, Supplier M was also our customer for hazardous waste treatment business in 2018. Supplier M is a chemical company in Ningxia that engages in sales of waste used for hazardous waste treatment business. In 2018, it sold waste mixed alcohol to and purchased recycled alcohol related products from Ningxia Ruiyuan in accordance with its business needs.

The following table sets forth details of our transactions with our over-lapping customers-suppliers for the period indicated.

	For the years ended December 31,			For the six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(In thousands of HK$, except for percentages)			
Customer H				
– Revenue from Customer H	–	37,606.0	55,608.0	28,919.0
– As a percentage of our total revenue	–	4.1%	2.5%	2.0%
– Cost paid to Customer H	–	1,818.0	–	728.0
– As a percentage of our total cost of sales	–	0.3%	–	less than 0.1%
Customer L				
– Revenue from Customer L	–	–	57,087.0	26,800.0
– As a percentage of our total revenue	–	–	2.6%	1.8%
– Cost paid to Customer L	–	–	2,592.0	–
– As a percentage of our total cost of sales	–	–	0.2%	–

	For the years ended December 31,			For the six months ended June 30,
	2016	2017	2018	2019
	(In thousands of HK$, except for percentages)			
Customer K				
– Revenue from Customer K	–	5,582.0	63,784.0	38,544.0
– As a percentage of our total revenue	–	0.6%	2.9%	2.6%
– Cost paid to Customer K	–	194.0	2,376.0	1,023.0
– As a percentage of our total cost of sales	–	less than 0.1%	0.1%	less than 0.1%
Supplier M				
– Cost paid to Supplier M	–	–	11,752.0	–
– As a percentage of our total cost of sales	–	–	0.7%	–
– Revenue from Supplier M	–	–	26,406.0	27,262.0
– As a percentage of our total revenue	–	–	1.2%	1.8%

Our Directors confirmed that all of our sales to and purchase from these companies were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Negotiation of the terms of our sales to and purchases from these companies were conducted on an individual basis and the sales and purchases were neither inter-connected or inter-conditional with each other.

COMPETITION

The environmental hygiene service market is highly competitive with small-scale service providers competing with each other to obtain projects. In recent years, the market has started to consolidate with a number of small-scale service providers being eliminated and certain large-scale service providers establishing their nationwide presence. We consider such large-scale service providers as our competitors. According to the F&S Report, we ranked fourth among environmental hygiene service providers in China in terms of 2018 revenue.

The hazardous waste treatment sector is highly fragmented in China. According to Frost & Sullivan, as of December 31, 2018, there were over 1,000 industry participants in China for waste disposal in operation (including facilities in trial operation), with top 10 companies accounted for only 9.8% of the total market share in terms of total designed treatment capacity and only 13.8% of the total market share in terms of total actual treatment volume. We had an approximately 0.7% market share and ranked sixth in terms of total designed treatment capacity in 2018, while the largest industry participant had an approximately 3.0% market share. We had an approximately 0.6% market share and ranked ninth in terms of total actual treatment volume in 2018, while the largest industry participant had an approximately 4.4% market share by the same measure. We expect the market will start to consolidate in the near future, and believe that we are well-positioned to benefit from the market concentration to consolidate small-scale service providers and enhance our leading position in the market. See "— Competitive Strengths — In-depth experience and capabilities in hazardous waste treatment business well-positioned to benefit from favorable industry trends."

For further details of the competitive landscape in the sectors we operate, see "Industry Overview."

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had 16 registered trademarks, nine registered domain names and 18 software copyrights. As of the Latest Practicable Date, we have registered two patents. See "Appendix IV — Statutory and General Information — B. Information about Our Business — 2. Intellectual property rights of our Group" for further details of our intellectual property. We also maintain confidentiality agreements with our key employees.

We also use the "Beijing Enterprises (北控)" brand name for our business operations, not as a trademark, but primarily as part of the names of our Company and some of our subsidiaries. The names of our Company and subsidiaries were approved by the Industrial and Commercial Bureau (the "**ICB**"), and in obtaining such approvals, neither we nor any of our subsidiaries received from the ICB any request for a name use authorization granted by BEHL. In addition, being the controlling shareholder of BEWG, which is our largest shareholder, BEHL is aware of our use of the brand name. BEWG, 41.15% equity interests of which is held by BEHL as of June 30, 2019 and has been designated by BEHL to manage affairs related to our Group, has issued a confirmation to us, acknowledging its awareness of and agreeing to our use of "Beijing Enterprises"-related brand names, and confirmed that it had not, and will not raise any objection, through legal proceedings or any other means, to our use of the brand names in the past, at the moment, or in the future. For the foregoing reasons, our PRC Legal Advisors are of the view that our use of the "Beijing Enterprises (北控)" brand name is in compliance with the PRC laws.

As of the Latest Practicable Date, we were not involved in any dispute, or aware of any potential dispute, in respect of any infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us.

RESEARCH AND DEVELOPMENT

We have an environmental hygiene service technology team and a hazardous waste treatment technology team, and invite external industry experts to review of specific issues as the case may require. As of the Latest Practicable Date, our research and development team for environmental hygiene services consisted of ten members. The team leader has a master degree and working experience exceeding 30 years in environmental hygiene service industry. Our research and development team for hazardous waste treatment business consisted of six members. The team leader is a senior engineer with a master degree and working experience exceeding ten years in hazardous waste treatment industry. In addition, our technology team is responsible for reviewing and conducting feasibility studies on the proposals submitted by our project companies, and authorize relevant project companies to execute the plans.

EMPLOYEES

We believe that our professional workforce is the foundation of our long-term growth. As of the Latest Practicable Date, we had 33,242 full-time employees, mainly based in the PRC. The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date.

	Number of employees	Percentage
Operations	31,765	95.6%
Administration and management	1,306	3.9%
Sales and marketing	110	0.3%
Technology	61	0.2%
Total	33,242	100.0%

As of the Latest Practicable Date, we did not have any dispatched employee from employment agencies.

We focus on recruiting local talents and qualified employees and actively recruit skilled and qualified personnel in local markets through various channels, such as on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the internet. We maintain a set of stringent recruitment procedures that helps us retain the best employees. New employees are required to participate in orientation and training programs to familiarize themselves with the operation of equipment and systems and the relevant safety procedures. We also have a supervision system at the facilities whereby new staff receive supervision and guidance from more experienced staff and learn on the job. Existing staff are given regular on-the-job technical, operational and safety training to ensure that our employees remain equipped with the necessary skills to competently function in their respective areas of work.

We continually seek to improve our staff remuneration and benefits programs. We believe that successful implementation of our growth and business strategies relies on a team of experienced, motivated and well-trained management and employees at all levels. We have policies and procedures in place to attract and retain key employees, including strong corporate values and practices, promotion prospects and performance-based bonuses. Compensation for our employees includes basic wages, bonuses and other staff benefits. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies. As required by the PRC laws, we participate in various social security insurance schemes including pension, medical insurance, maternity insurance, occupational injury insurance, unemployment insurance and housing provident fund contributions. We are required under the PRC laws to make contributions to these schemes based on certain percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the relevant local governments from time to time. During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. For details, see "Non-compliance — Social Insurance and Housing Provident Funds."

During the Track Record Period and as of the Latest Practicable Date, other than disclosed in "— Legal Proceedings and Compliance — Legal Proceedings", we were not involved in any labor dispute with our employees or their labor unions that would have a material adverse effect on our business, financial condition or operational results. We believe that we have maintained good relations with our employees.

HEALTH AND SAFETY

Our employees are exposed to certain safety risks. In our environmental hygiene service sector, our municipal workers are exposed to risks of traffic accidents when they operate in public streets. Our employees for hazardous waste treatment business and other business are exposed to risks in relation to hazardous materials in their working environment.

Pursuant to the relevant PRC health and safety laws and regulations, we are required to provide our employees with a healthy and safe working environment. For example, we are required to provide our municipal workers with adequate protective gear, such as reflective safety vests and traffic cones, for them to use when operating in streets. We are also required to provide health and safety education and training to our employees and have dedicated health and safety personnel. See "Regulations — Labor and Employment." We have put in place safety guidelines that set forth procedures to prevent the occurrence of safety-related accidents. For our hazardous waste treatment facilities and facilities used for other business, we conduct regular inspections and maintenance checks to ensure they meet the applicable national or industrial health and safety standards. Our employees dealing with hazardous waste are required to attend special training to ensure strict compliance to our safety procedures. In addition, we require all our employees to undergo annual health examination and we bear all relevant costs.

We believe that our health and safety control measures are adequate and comply with applicable laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, there were no material accidents in the course of our operations, except for (i) six fatal traffic accidents which were caused by third party drivers who hit our municipal workers; and (ii) two fatal accidents where (a) one death incident was caused by a sudden heart attack while our municipal worker was cleaning the roads; and (b) the other death incident was caused by our driver's loss of control of the garbage truck during the course of garbage unloading. We conducted investigation of these incidents, and found that these accidents resulted from either third parties' liabilities, which were beyond our control, or our employee's sickness, which we were not able to identify through a regular body check. As we have (i) provided our municipal workers with adequate protective gear for them to use when performing their duties on the streets; (ii) conducted periodic inspections over our mobile vehicles; and (iii) provided our employees with mandatory safety trainings, we are of the view that these accidents were not caused by the lack of adequate workplace safety and occupational health measures on our part. In respect of six out of eight accidents, respective families signed the release for any accident claims and compensation of an aggregate amount of approximately RMB2.9 million was, or would be, made to them.

In respect of one accident relating to Chongqing Binnan, the family members of our deceased employee claimed against us. For details, see "— Legal Proceedings and Compliance — Legal Proceedings." Save as disclosed in "— Legal Proceedings and Compliance — Legal Proceedings," during the Track Record Period and up to the Latest Practicable Date, there were no material claims or legal proceedings against us with respect to these accidents.

ENVIRONMENTAL COMPLIANCE

The hazardous waste treatment business is highly regulated in China. We are subject to, among others, the PRC Environmental Protection Law, the PRC Environmental Impact Appraisal Law, the PRC Water Pollution Prevention and Control Law and the PRC Air Pollution Prevention and Control Law. Our incineration operation is subject to the national standard GB18484-2001 Hazardous Waste Incineration Pollution Control Standard (《危險廢物焚燒污染控制標準》). Our landfill operation is subject to the national standard GB18598-2001 Hazardous Waste Landfill Pollution Control Standard (《危險廢物填埋污染控制標準》). See "Regulations — Laws and regulations relating to the PRC hazardous waste treatment industry — National standards applicable to operation of hazardous wastes" for further details. We have adopted and implemented various environmental protection policies and measures to ensure compliance with all relevant regulatory requirements under applicable PRC laws and regulations. Our Directors and senior management have promulgated various internal policies on environmental compliance matters, and have been supervising and managing our project companies to ensure that they operate in compliance with relevant environmental laws and regulations. Such policies regulate different aspects of our operations, from the design and construction of our hazardous waste treatment facilities and the operation of our hazardous waste treatment facilities. Our environmental protection measures primarily include:

- *Site selection.* We design and construct our waste treatment facilities to be as far away from residential areas as possible to minimize influence to residents. Moreover, we also conduct site selection evaluation, which is part of the mandatory environmental impact appraisal to be conducted before any of our waste treatment facilities could obtain Hazardous Waste Business License for our commencement of operation.

- *Environmental impact appraisal.* Under the direction of our Directors and senior management, and in accordance with our internal Hazardous Waste Treatment Projects Investment Handbook (《危廢項目投資手冊》), we engage professional third-parties to conduct mandatory environmental impact appraisals before commencement of construction of our waste treatment facilities. We will then submit the appraisal results to relevant government authorities for their review and approval, which is a condition precedent to the commencement of construction and the final grant of Hazardous Waste Business Licenses.

- *Emission control.* We ensure gas from incineration to undergo a gas treatment process where hazardous substances are removed before emission. In addition, we install detection systems detecting and reporting the level of hazardous substances in our emission, which are linked with and directly reported to relevant environmental protection government authorities, so as to ensure compliance with the applicable national and regional emission standards. In addition, we also assign specific employees to closely monitor the level of hazardous substances as reported by the detection systems. Though in rare cases where the level of hazardous substances exceeds relevant regulatory standards, we would temporarily cease the emission immediately, and take certain measures to reduce the level of hazardous substances to ensure it meets the statutory requirements.

- *Wastewater control.* Except for Shandong Industrial Solid Waste Disposal Center Project (山東省工業固體廢物處置中心項目) which treats its own wastewater and recycles the treated water for re-use, we dispose of our internally-treated wastewater at designated wastewater treatment plants. We are obligated to first treat the wastewater internally to ensure that it meets the requirements of the National Wastewater Disposal Standards (《污水綜合排放標準》) before disposal at wastewater treatment plants. In the unlikely event that our internally-treated wastewater fails to meet the requirement of the National Wastewater Disposal Standards, wastewater treatment plants will not accept our disposal of wastewater, and we will need to re-treat the wastewater internally until it meets the aforementioned regulatory requirements.

- *Ash control.*We collect ash that is generated from our incineration using sealed containers, and dispose of the same in our own landfill sites which are licensed to provide landfill services. In addition, we also conduct testings before each disposal to ensure that our disposal of ashes meets regulatory environmental requirements.

Our hazardous waste treatment project companies have engaged external testing companies to perform testings, on an annual or quarterly basis, about their emission, wastewater disposal and noise level. During each period of the Track Record Period, according to reports issued by external testing companies we engaged, the actual test results of each of our hazardous waste treatment project companies in operation were in compliance with applicable environmental regulatory requirements in all material aspects.

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, we had obtained all material licenses in relation to environmental protection for our hazardous waste treatment business, and had not been subject to any administrative penalties, which would have a material adverse effect on our business, financial condition and results of operations, in relation to environmental protection.

In addition, to ensure compliance with applicable PRC laws and regulations regulating our waste electrical and electronic equipment treatment business, we designate companies which possess relevant qualifications to dispose of hazardous waste collected during our treatment process of waste electrical and electronic appliances.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our costs of compliance with applicable environmental laws and regulations was approximately HK$0.6 million (RMB0.6 million), HK$0.9 million (RMB0.8 million), HK$1.6 million (RMB1.4 million) and HK$0.8 million (RMB0.7 million), respectively. These costs do not include historical capital expenditure on property, plant and equipment that may be attributable to environmental compliance. We do not expect our costs of compliance with applicable environmental laws and regulations to increase significantly going forward.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claims from our customers or residents in the areas we operate for failing to comply with the relevant environmental requirements. We expect that the PRC government will increase its regulation over hazardous waste disposal in the near future. See “Industry Overview — China’s Hazardous Waste Treatment Market — Major Drivers and Future Trends.” We will continue to strictly implement our environmental protection measures to ensure compliance with the applicable PRC laws and regulations.

INSURANCE

Based on the level of our operational risks, we maintain insurance policies covering employer liability insurance, personal accident insurance, vehicle insurance and equipment insurance. We believe that our insurance coverage is adequate for our present operations and is generally in line with the industry norm. During the Track Record Period and up to the Latest Practicable Date, other than the medical insurance claims and the insurance claims made by us in relation to the accidents of our municipal workers (for details, see "Business — Employees"), we have not made any material insurance claims. Our insurance coverage may not be sufficient to cover all potential losses related to our business and operations. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not adequately cover the risks related to our business and operations."

PROPERTIES

We occupy various properties in the PRC in connection with our business operations, including facilities for our projects and our office spaces as of the Latest Practicable Date. Our headquarters is located in Beijing.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempt from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2018, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Properties

As of the Latest Practicable Date, we have obtained the land use right certificates for 20 parcels of land with a total area of approximately 1,007,404 m^2 and title certificates for nine buildings with a total GFA of approximately 35,153 m^2 for our business operation. Our owned properties are primarily used for our hazardous waste treatment business. As of the Latest Practicable Date, properties with an aggregate GFA of approximately 10,120 m^2, representing approximately 28.8% of the aggregate GFA of our own properties, had been mortgaged under various credit agreements for project financing purposes, consistent with industry practice.

As of the Latest Practicable Date, we had not obtained the title certificates for four buildings. These buildings are occupied by us for our Shandong Industrial Solid Waste Disposal Center Project, Guangxi Guigang BEWG Medical Waste Disposal Center Project, Chongqing Plastics Comprehensive Utilization Project and Wuchuan Urban and Rural Municipal Waste Collection and Transportation Project. As of the Latest Practicable Date, we were in the process of applying for relevant title certificates for the buildings used by these projects. We have obtained all the relevant permits and completed all the relevant filings for the construction of these buildings, pending the issuance of the title certificates for the respective buildings. Therefore, our PRC Legal Advisors are of the view that the necessary formalities have been completed and therefore, there is no substantial legal impediment to us obtaining the outstanding title certificates. As advised by our PRC Legal Advisors, the lack of those title certificates, individually or collectively, would not have a material adverse impact on our operations.

Save as disclosed in "— Properties — Owned Properties" above, we have obtained all relevant land use right certificates and title certificates.

Leased Properties

As of the Latest Practicable Date, we leased 82 buildings which were mainly used as office premises, staff dormitories and parking lots, and two parcels of land with a total site area of approximately 306,395 m^2 for our hazardous waste treatment business. Lease expiration dates for lease agreements of two parcels of land are 2030 and 2035, respectively. Lease agreements for our leased buildings have lease expiration dates ranges from 2019 to 2032.

As of the Latest Practicable Date, lessors of 27 leased buildings and one parcel of land of our leased properties had not provided us with valid title certificates or relevant authorization documents evidencing their rights to sublease properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased properties and we are required to move, we can find suitable alternative properties within the same region, without imposing any material adverse effect on our business, financial condition and results of operations. See "Risk Factors — Risks Relating to Our Business and Industry — Our legal rights to certain leased properties may be challenged and we did not register all lease agreements."

As of the Latest Practicable Date, we had not registered for all of our leased buildings. For details, see "— Non-compliance — Other Non-compliance Incidents."

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

As at the Latest Practicable Date, we and Chongqing Binnan were involved in on-going legal proceedings in respect of:

(i) A claim from the family members of our deceased employee who died in a traffic accident for a sum of RMB1.9 million. In June 2019, the plaintiffs also made a claim for the same matter in a labor arbitration proceeding, in relation to which the Chongqing Nan'an District Labor and Personnel Dispute Arbitration Committee (重慶市南岸區勞動人事爭議仲裁委員會) rendered an arbitration award rejecting all the claims in favor of Chongqing Binnan. Based on the arbitration decision, the facts contained in the statement of complaint, the aforementioned arbitration award, and the relevant PRC laws and regulations, our PRC Legal Advisors are of the view that it is more likely than not that the court would similarly rule in favor of Chongqing Binnan in this case.

(ii) BE Urban Services PRC set up a project company with a third party in March 2018, as it was originally intended for BE Urban Services PRC to sub-contract an environmental hygiene services contract it obtained via bidding process in 2017 to that project company. BE Urban Services PRC subsequently decided to sub-contract the relevant contract to Chongqing Binnan, rather than the above project company. The third party, being minority shareholder of the above project company considered interests of the project company have been undermined and therefore filed a claim against BE Urban Services PRC. Amount claimed involved a sum of approximately RMB1.7 million, which includes the third party's losses of approximately RMB1.6 million and the attorney fee of RMB0.1 million. Our PRC Legal Advisors are of the view that the likelihood of our success remains uncertain.

Our Directors are of the view that these two litigations would not have a material adverse effect on our business operation on the basis that the aggregate amount sought by plaintiffs for the aforementioned litigations, collectively, accounted for approximately 0.2% of our net assets as of June 30, 2019.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation.

Legal Proceedings of Our Discontinued Operation

From time to time, Gansu Huayi may be involved in legal proceedings or disputes in the ordinary course of business. It may also initiate legal proceedings in order to protect its contractual and property rights.

As of the Latest Practicable Date, Gansu Huayi was involved in two litigations in Gansu. In the litigation filed in August 2018, Gansu Huayi was listed as one of the defendants. The plaintiff alleged that the geological exploration activities of Gansu Huayi had caused disruption to the plaintiff's business in January 2018, and sought damages in an aggregate amount of RMB3.0 million. Although the trial court found the judgment in favor of plaintiff in November 2019 and an appeal was lodged in December 2019, our Directors believe that such outcome will not have a material adverse effect on the business and results of operations of Gansu Huayi.

Firstly, the court ordered Gansu Huayi to bear only RMB0.06 million for the damages. Secondly, according to the audited financial statements of Gansu Huayi, its net assets as of December 31, 2018 was approximately RMB252.1 million. Considering that the amount Gansu Huayi would bear pursuant to the decision only accounted for 0.02% of the net assets of Gansu Huayi as of December 31, 2018, our PRC Legal Advisors are of the view that such litigation would not have a material adverse effect on the business operation of Gansu Huayi.

In the litigation filed in July 2019, Gansu Huayi was listed as the defendant. The plaintiff alleged that during the period from January 2017 to April 2019, Gansu Huayi failed to pay the plaintiff bonus with an aggregate amount of RMB1.8 million as stipulated in the contract entered into between the plaintiff and Gansu Huayi in April 2015. On October 18, 2019, the court of first instance dismissed the case for the claims not supported. On October 30, 2019, the plaintiff appealed and requested the appellate court to vacate the order by the court of first instance, and to remand the case for retrial. Even though the appeal is still ongoing, our Directors believe that such legal proceeding will not have a material adverse effect on the business and results of operations of Gansu Huayi on the basis that (i) the maximum amount of damages with the amount of RMB1.8 million that Gansu Huayi may be subject to (excluding possible litigation fee that the court may impose on Gansu Huayi) as a result of such litigation accounted for 0.7% of the net assets of Gansu Huayi as of December 31, 2018; and (ii) except for the maximum amount of damages being sought, our PRC Legal Advisors confirmed that Gansu Huayi will not be subject to other liabilities as a direct result of such litigation. Therefore, our PRC Legal Advisors are of the view that such litigation would not have a material adverse effect on the business operation of Gansu Huayi. Pursuant to the equity transfer agreement dated June 30, 2018 between BE Urban Resources PRC and BE Zhongkecheng Environmental to transfer 62.0% equity interest in Gansu Huayi from BE Urban Resources

PRC to BE Zhongkecheng Environmental (the "**Gansu Huayi Disposal Agreement**"), all shareholder rights and obligations associated with the 62.0% equity interest of Gansu Huayi held by BE Urban Resources PRC were transferred to BE Zhongkecheng Environmental since the disposal of Gansu Huayi. The Company Law of the PRC provides that a company, as a legal person, shall bear its liabilities independently. Our PRC Legal Advisors are of the view that we will not be liable for the damages that Gansu Huayi may be subject to in the litigation identified in "— Legal Proceedings of Our Discontinued Operation" above for the following reasons: (i) Gansu Huayi, as an independent legal person, shall be liable itself for any damages that it may be subject to in such litigation; (ii) even if the shareholder of Gansu Huayi may be held liable for damages arising from such litigation, BE Urban Resources PRC had ceased to be a shareholder of Gansu Huayi since the disposal of Gansu Huayi in June 2018 and therefore, as a matter of PRC law, ceased to bear obligations as a shareholder of Gansu Huayi pursuant to the Gansu Huayi Disposal Agreement; and (iii) the Gansu Huayi Disposal Agreement does not require BE Urban Resources PRC, as the transferor of the equity interests in Gansu Huayi, to assume any liability arising from litigation of Gansu Huayi. Therefore, our PRC Legal Advisors are of the view that it is unlikely for our Company to be liable for any proportion of damages that Gansu Huayi may be subject to as a direct result of the aforementioned litigation.

Other than the above-mentioned litigations, after having made reasonable enquiries with, and obtained confirmation letters from, Gansu Huayi and us, our PRC Legal Advisors are not aware of any other litigations, claims or legal proceedings relating to Gansu Huayi which would have any material adverse impact on its operations during the Track Record Period and up to the Latest Practicable Date.

Compliance with Laws and Regulations

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, except as disclosed in "— Non-compliance," we had, in all material respects, complied with all the applicable laws and regulations.

NON-COMPLIANCE

Failure to Comply with the Government Procurement Law in Bidding

Background and Reasons for Non-compliance

Pursuant to the PRC Government Procurement Law (中華人民共和國政府採購法), a supplier is not eligible to participate in government procurement activities if there is material non-compliance during its business operation within three years before it participates in government procurement activities. Pursuant to the Implementation Rules of the PRC Government Procurement Law (中華人民共和國政府採購法實施條例), if a supplier is prohibited from participating in government procurement activities during a certain period due to material non-compliance during its business operation within three years before it participates in government procurement activities, it may participate in government procurement activities once the period expires.

Before our acquisition of Chongqing Binnan in July 2017, Chongqing Binnan was penalized in four different projects for failure to comply with the PRC Government Procurement Law in its biddings. The following table sets forth such non-compliance incidents of Chongqing Binnan before our acquisition.

	Administrative authority	Non-compliance in biddings	Date of tender submission	Period when Chongqing Binnan was prohibited from bidding
1	The Finance Bureau of Mangshi City, Yunnan Province	Misrepresentation in bidding materials	August 18, 2016	January 18, 2017 to January 18, 2018
2	The Finance Bureau of Gongjing District, Zigong City, Sichuan Province	Misrepresentation in bidding materials	June 8, 2016	April 19, 2017 to April 19, 2018
3	The Finance Bureau of Jiangbei District, Chongqing City	Misrepresentation in bidding materials	July 18, 2017	September 28, 2017 to September 28, 2020 (only in Jiangbei District, Chongqing City)
4	The Finance Bureau of Yingze District, Taiyuan City, Shanxi Province	Misrepresentation in bidding materials	July 4, 2017	December 19, 2017 to December 19, 2018

In January 2019, after consulting legal advisors, Chongqing Binnan submitted a tender to the finance bureau of Jiulongpo District, Chongqing ("**Jiulongpo Finance Bureau**") to bid for another environmental hygiene project with respect to Erlang Street in that district (the "**Erlang Project**"). The bidding materials falsely stated that there was no material non-compliance in its business operations during the past three years before the bidding. In March 2019, Jiulongpo Finance Bureau issued a notice of administrative penalty decisions to Chongqing Binnan for violation of the PRC Government Procurement Law on the basis that (i) it was not eligible to participate in the bidding because of its historical non-compliance within the three years before its bidding; and (ii) it misrepresented in the bidding materials that there was no material non-compliance during its business operations within the three years before its bidding. As a result, Jiulongpo Finance Bureau revoked the tender that Chongqing Binnan had won over the Erlang Project and imposed a penalty of RMB14,708.2 on Chongqing Binnan. In addition, Jiulongpo Finance Bureau included Chongqing Binnan in its list of entities with previous misconducts and prohibited it from participating in government procurement activities within two years starting from March 14, 2019.

The bidding of Erlang Project was approved by the head of the investment department, the head of investment, research and management center, the head of finance department and the vice president of Chongqing Binnan. Chongqing Binnan's then policies did not require it to seek an approval from our headquarters for its bidding for Erlang Project, as its contract value did not meet the threshold stipulated in its policies. Therefore, our Directors did not authorize and were not involved in the non-compliance incidents.

Chongqing Binnan appealed to Jiulongpo Finance Bureau on March 8, 2019 against the administrative penalty decisions. On March 14, 2019, Jiulongpo Finance Bureau rejected the appeal. Chongqing Binnan further appealed to the Finance Bureau of Chongqing City in May 2019. In July 2019, the Finance Bureau of Chongqing City rejected the appeal. In August 2019, Chongqing Binnan initiated the administrative proceeding to further appeal against the administrative penalty decisions.

Opinion of Our PRC Legal Advisors

Our PRC Legal Advisors have advised us that, pursuant to the notice of administrative penalty decisions issued by the Jiulongpo Finance Bureau, Chongqing Binnan cannot participate in government procurement activities in the PRC within two years starting from March 14, 2019. Our PRC Legal Advisors have further advised us that (i) the validity of the outstanding environmental hygiene service agreements entered into before Jiulongpo Finance Bureau issued the notice of administrative penalty decisions is not affected by such notice; (ii) the notice of administrative penalty decisions issued by Jiulongpo Finance Bureau applies to Chongqing Binnan only, and does not prohibit the subsidiaries of Chongqing Binnan and our other subsidiaries from bidding; and (iii) as Chongqing Binnan has paid the penalties, the possibility that it will be subject to further administrative penalties for the same non-compliance incident is relatively remote.

Enhanced Internal Control Measures

We have engaged an independent consulting firm as our internal control consultant (the "**Internal Control Consultant**") to conduct reviews and assessments of the relevant internal control measures of Chongqing Binnan. The Internal Control Consultant has made the following recommendations in respect of Chongqing Binnan, which have been implemented to prevent future occurrence of non-compliance incidents as disclosed above:

- provide regular training to the employees of Chongqing Binnan on (i) the bidding requirements as stipulated in the PRC Government Procurement Law, the Implementation Rules of the PRC Government Procurement Law and other PRC laws and regulations, and (ii) requirements concerning bidding process imposed by headquarters of our Company;

- all bidding materials of Chongqing Binnan, regardless of contract value, including credentials and representations in the bidding materials, are required to be reviewed and properly maintained by investment management department and auditing department at the headquarters of our Company;

- all bidding materials of Chongqing Binnan are required to be reviewed by our legal department or external legal advisers to ensure that statements regarding legal compliance are true and accurate. Proper written records should be maintained for such review;

- our legal department and external legal advisers should be consulted to understand whether Chongqing Binnan is eligible for bidding. Proper written records should be maintained for such consultation;

- local governments should be consulted to understand whether Chongqing Binnan is eligible to participate in government procurement activities before submission of tenders. Proper written records should be maintained for responses from the local governments;

- the management of Chongqing Binnan should improve its register of administrative penalties by including information such as dates of administrative penalty, administrative reconsiderations, administrative procedures and/or administrative appeals, if applicable. Such register shall be submitted to the headquarters for review and reference; and

- the management of Chongqing Binnan is required to maintain a register of all bidding projects and assign designated persons to archive the bidding documents properly.

The Internal Control Consultant performed a follow-up review on the status of implementation of the enhanced internal control measures and found that those internal control measures have been implemented since April 22, 2019 as recommended, and no further recommendations have been raised by the Internal Control Consultant.

Our Directors' Views

On the basis that (i) we have paid the penalties with respect to Erlang Project in full; (ii) our PRC Legal Advisors are of the view that (a) the validity of the outstanding environmental hygiene service agreements entered into before Jiulongpo Finance Bureau issued the notice of administrative penalty decisions is not affected by such notice; (b) the notice of administrative penalty decisions issued by Jiulongpo Finance Bureau applies to Chongqing Binnan only, and does not prohibit the subsidiaries of Chongqing Binnan and our other subsidiaries from bidding; and (c) as Chongqing Binnan has paid the penalties, the possibility that it will be subject to further administrative penalties for the same non-compliance incident is relatively remote; and (iii) we have implemented measures to prevent future occurrence of such non-compliance incidents, and the Internal Control Consultant found that we have implemented those internal control measures since April 22, 2019 as recommended, and no further recommendations have been raised by the Internal Control Consultant, our Directors are of the view that the non-compliance does not have any material adverse effect on the operations of our Group.

Having considered the implementation of the above enhanced internal control measures, the business nature and operation scale of our Group, our Directors are of the opinion, and the Joint Sponsors concur that, as at the Latest Practicable Date, the above enhanced internal control measures were adequate and effective, in all material respects to prevent the re-occurrence of non-compliance incidents at Chongqing Binnan and that such non-compliance incidents do not have any material impact on our suitability for listing under Rule 8.04 of the Listing Rules.

Suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules

Our Directors (i) did not authorize and were not involved in the non-compliance incidents as disclosed above as the matter by nature and scale was not fundamental to our daily operations which would have required direct supervision of our Directors; and (ii) have taken appropriate rectification measures, for example, engaging the Internal Control Consultant to review the relevant internal control measures of Chongqing Binnan and implementing their recommendations. In addition, (i) none of the non-compliance incidents disclosed above had any material adverse impact on our daily operations, or the results of our business operations and financial position; and (ii) all our executive Directors have substantial experience in business management and none of them is subject to any legal proceedings arising from the non-compliance incidents as disclosed above. Therefore, we are of the view and the Joint Sponsors concur that our Directors have the integrity, competence and willingness to manage our business in a law-abiding manner and that they are suitable to act as directors of our Company as required under Rules 3.08 and 3.09 of the Listing Rules.

Other Non-compliance Incidents

We set out our other non-compliance incidents below.

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Rectification actions	Impact on our Group
Failure to Make Full Social Insurance and Housing Provident Fund Contributions				
During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our total employee benefit expenses (excluding our Directors' and chief executive's remuneration) amounted to HK$1.8 million, HK$396.8 million, HK$1,053.9 million and HK$666.3 million, respectively.	Our non-compliance was primarily due to our large labor force and the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations.	Our PRC Legal Advisors have advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisors have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.	We have engaged the Internal Control Consultant to conduct reviews and assessments of our relevant internal control measures. The Internal Control Consultant has made the following recommendations, which have been implemented to prevent future occurrence of such non-compliance incident: • formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations; • strengthen legal compliance training to our personnel, including providing training to our personnel on the relevant laws and regulations; and • keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds.	Our Directors believe that this non-compliance incident would not have a material adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we were not aware of any material employee complaints and were not involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; and (iii) we have made provisions of HK$0.1 million, HK$50.1 million, HK$130.9 million and HK$55.7 million for the social insurance and housing provident fund contribution shortfall for the year ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively.

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Rectification actions	Impact on our Group
			In addition, we have designated our human resources staff to monitor the payment status of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department to ensure that we make these payments in full and on time in accordance with relevant laws and regulations. The Internal Control Consultant performed a follow-up review on the status of implementation of the enhanced internal control measures and found that those internal control measures have been implemented since April 26, 2019 as recommended, and no further recommendations have been raised by the Internal Control Consultant.	For details of the relevant risks, see "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to additional social insurance fund and housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities."

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Rectification actions	Impact on our Group
Failure to Register All Lease Agreements				
As of the Latest Practicable Date, we had not registered for all of our 82 leased buildings. See "— Properties — Leased Properties."	Our non-compliance was primarily due to failure of registration of the lease contracts by relevant landlords.	Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. Our PRC Legal Advisors have advised us that the lack of registration of the lease contracts will not affect the validity and enforceability of the lease agreements under PRC laws, and have also advised us that a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. The estimated total maximum penalty is RMB820,000.	We have taken the following rectification measures to prevent future occurrences of such non-compliance incident: (i) requiring landlords to register executed lease agreements with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC within specified time period; and (ii) reminding our employees to timely liaise with landlords of leased properties to check the registration status of our lease agreements. Our risk management department will be responsible for overseeing the implementation status of our rectification measures.	Our Directors believe that this non-compliance incident would not have a material adverse effect on our business and results of operations, considering that during the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements and had not been fined as a result of our failure to register lease agreements. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not experience any dispute arising out of our leased properties. See also "Risk Factors — Our legal rights to certain leased properties may be challenged and we did not register all lease agreements."

Our Directors' Views

Having considered the implementation of the above enhanced internal control measures, the business nature and operation scale of our Group, our Directors are of the opinion, and the Joint Sponsors concur that, as of the Latest Practicable Date, our internal control measures were adequate and effective in all material respects to prevent the re-occurrence of these non-compliance incidents, and that such non-compliance incidents do not have any material impact on our suitability for listing under Rule 8.04 of the Listing Rules.

Suitability of our Directors under Rule 3.08 and 3.09 of the Listing Rules

Our Directors (i) did not authorize and were not involved in the non-compliance incidents as disclosed above as the matter by nature and scale was not fundamental to our daily operations which would have required direct supervision of our Directors; and (ii) have taken appropriate rectification measures to prevent the re-occurrence of such non-compliance incidents. In addition, (i) the occurrence of the non-compliance incidents disclosed above did not involve any fraudulent act on the part of our Directors; (ii) none of the non-compliance incidents disclosed above had any material adverse impact on our daily operations, or the results of our business operations and financial position; and (iii) all our executive Directors have substantial experience in business management and none of them is subject to any legal proceedings arising from the non-compliance incidents as disclosed above. Therefore, we are of the view and the Joint Sponsors concur that our Directors have the integrity, competence and willingness to manage our business in a law-abiding manner and that they are suitable to act as directors of our Company as required under Rules 3.08 and 3.09 of the Listing Rules.

Non-compliance Incidents of Our Discontinued Operation

We set out the non-compliance incidents of our discontinued operation below.

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Impact on Gansu Huayi
Failure to Make Full Social Insurance and Housing Provident Fund Contributions			
During the Track Record Period and up to the Latest Practicable Date, Gansu Huayi did not make full social insurance and housing provident fund contributions for its certain employees.	This non-compliance incident of Gansu Huayi was primarily due to the lack of experience of human resources personnel of Gansu Huayi who did not fully understand the relevant requirements of the relevant PRC laws and regulations. In addition, some employees of Gansu Huayi were unwilling to pay for social security insurance because they participated in their local rural social security systems instead.	Our PRC Legal Advisors have advised us that, pursuant to relevant PRC laws and regulations, if Gansu Huayi fails to pay the full amount of social insurance contributions as required, it may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisors have further advised us that, pursuant to relevant PRC laws and regulations, if Gansu Huayi fails to pay the full amount of housing provident fund as required, the housing provident fund management center may order it to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.	As of the Latest Practicable Date, in respect of its failure to make full social insurance and housing provident fund contributions, Gansu Huayi had not been subject to any penalty from relevant PRC authorities or received any governmental notification to rectify such non-compliance incident, nor had Gansu Huayi been involved in any claim by or dispute with any third party involving such non-compliance incident. In addition, during the Track Record Period, we have made provisions of HK$3.2 million, HK$3.5 million and HK$1.0 million for the social insurance and housing provident fund contribution shortfall of Gansu Huayi for the years ended December 31, 2016 and 2017 and for the six months ended June 30, 2018, respectively. Therefore, our PRC Legal Advisors are of the view that such non-compliance incident had no material adverse effect on the business operation of Gansu Huayi as of the Latest Practicable Date. Our Directors believe that such non-compliance incident would not have a material adverse effect on the business and results of operations of Gansu Huayi.

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Impact on Gansu Huayi
Failure to Obtain the Title Certificate			
As of the Latest Practicable Date, Gansu Huayi had not obtained the title certificate for the building used for its Jingmai Industrial Park Project (靜脉產業園項目).	Gansu Huayi was unable to obtain the title certificate for the building used for Jingmai Industrial Park Project as of the Latest Practicable Date because this building had not completed the inspection and acceptance procedures with respect to the quality and safety of this building.	As advised by our PRC Legal Advisors, Gansu Huayi may be subject to a maximum penalty of RMB1.2 million for commencing operations before completing the inspection and acceptance procedures with respect to the quality and safety of the building pursuant to relevant PRC laws and regulations, which represented 4% of the contract value of the stipulated contract. In addition, Gansu Huayi may subject to additional penalty if the failure to complete the inspection and acceptance procedures cause losses to other parties. As advised by our PRC Legal Advisors, Gansu Huayi cannot sell, transfer, pledge or otherwise dispose of this building before registration of the building ownership and obtaining the title certificate with respect to this building.	As of the Latest Practicable Date, in respect of its failure to obtain the title certificate, Gansu Huayi had not been subject to any penalty from relevant PRC authorities nor received any governmental notification to rectify such non-compliance incident, nor had Gansu Huayi been involved in any claim by or dispute with any third party involving its failure to obtain the title certificate. Therefore, our PRC Legal Advisors are of the view that such non-compliance incident had no material adverse effect on the business operation of Gansu Huayi as of the Latest Practicable Date. Our Directors believe that such non-compliance incident would not have a material adverse effect on the business and results of operations of Gansu Huayi.

Non-compliance incidents	Reasons for non-compliance incidents	Legal consequences and potential maximum penalty	Impact on Gansu Huayi
Failure to comply with the Regulation on the Quality Management of Construction Projects			
During the Track Record Period, Gansu Huayi failed to comply with the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例). Gansu Huayi carried out the construction of its recycling and reuse project of waste electrical and electronic equipment before the construction drawing design documents of such project had been examined in accordance with the Regulation on the Quality Management of Construction Projects. In addition, Gansu Huayi carried out the construction of such project before obtaining a construction license.	The non-compliance incident of Gansu Huayi was primarily due to its relevant personnel lacking experience in construction management and not fully understanding the requirements of the Regulation on the Quality Management of Construction Projects.	In September 2017, the Bureau of Housing and Urban-Rural Development of Gaolan County imposed a penalty of RMB0.2 million on Gansu Huayi for carrying out the construction for its recycling and reuse project of waste electrical and electronic equipment before the construction drawing design documents of such project had been examined in accordance with the Regulation on the Quality Management of Construction Projects. In March 2018, the Bureau of Housing and Urban-Rural Development of Gaolan County imposed a penalty of approximately RMB0.2 million on Gansu Huayi for its failure to obtain a construction license before carrying out the construction of such project.	Our Directors believe that this non-compliance incident would not have a material adverse effect on the business and results of operations of Gansu Huayi on the basis that Gansu Huayi (i) confirmed that it had ceased the construction of its recycling and reuse project of waste electrical and electronic equipment as of the Latest Practicable Date; (ii) confirmed that it would not continue its construction before completing the examination process of its construction drawing design documents for such project and obtaining the construction license; (iii) has paid the penalties as of the Latest Practicable Date; and (iv) did not experience any dispute arising out of the construction of such project with any third party. Therefore, our PRC Legal Advisors are of the view that such non-compliance incident had no material adverse effect on the business operation of Gansu Huayi as of the Latest Practicable Date.

LICENSES AND PERMITS

According to Measures for Management of Municipal Solid Waste (城市生活垃圾管理辦法), a company that engaged in the provision of environmental hygiene services is required to obtain from relevant local government agencies the municipal waste transportation permit before it can be allowed to provide environmental hygiene services. As of the Latest Practicable Date, 45 of our subsidiaries have commenced the provision of environmental hygiene services before obtaining the municipal waste transportation permit, due to unclear practice adopted by different local government agencies in granting such permit. While applications have been made to the local government agencies, no such permit has been issued as of the Latest Practicable Date. As advised by our PRC Legal Advisors, there is no legal impediment for our subsidiaries to obtain the municipal waste transportation permit, on the basis that such subsidiaries have taken all necessary steps and made the relevant applications in accordance with the requirements under the applicable PRC laws and regulations. Based on our consultation with the local government agencies, we expect to obtain all the municipal waste transportation permit by June 30, 2020.

During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting our payment of fine or administrative penalty or our suspension of provision of environmental hygiene services as a result of our provision of environmental hygiene services before obtaining the municipal waste transportation permit. As advised by our PRC Legal Advisors, based on confirmations obtained from the local government agencies, which are the competent authority to provide such confirmations, given that it was a requirement under the commercial contracts entered into between our subsidiaries and those local government agencies that the local government agencies are obliged to issue the municipal waste transportation permit according to the Measures for Management of Municipal Solid Waste (城市生活垃圾管理辦法), our subsidiaries would not be subject to any penalty for the provision of environmental hygiene services before obtaining the municipal waste transportation permit nor receive any order or demand requesting them to suspend the provision of environmental hygiene services. In view of the foregoing, our Directors are of the view that our subsidiaries' provision of environmental hygiene services before obtaining the above permit would not have a material adverse effect on our business.

As of the Latest Practicable Date, Hazardous Waste Business License for one hazardous waste treatment project, namely, Ganhe Industrial Park Tailings Storage and Recycling Project, had expired. For details, see "— Our Hazardous Waste Treatment Business — Our Project Portfolio."

As we have obtained confirmations from the competent governmental authorities, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, saved as disclosed above, we have obtained all the other requisite licenses, approvals and permits that are material to our business operations from the relevant governmental authorities in China. All of these licenses, approvals and permits remained in full effect as of the Latest Practicable Date, and to the best knowledge of our Directors, no circumstances existed that would render revocation or cancelation of our licenses, approvals and permits. The table below lists the details of our material licenses and permits.

License/Permit	Holder	Granting authority	Date of grant	Expiry date
Hazardous Waste Business License (危險廢物經營許可證)	Guigang Medical Waste	Guigang Environmental Protection Bureau (貴港市環保局)	December 5, 2019	December 4, 2020
Hazardous Waste Business License (危險廢物經營許可證)	Shandong Pingfu	Shandong Provincial Department of Environmental Protection (山東省環境保護廳)	August 31, 2018	March 13, 2023
Hazardous Waste Business License (危險廢物經營許可證)	Ningxia Ruiyuan	Ningxia Hui Autonomous Region Environmental Protection Department (寧夏回族自治區環境保護廳)	June 21, 2018	June 20, 2022

License/Permit	Holder	Granting authority	Date of grant	Expiry date
Hazardous Waste Business License (危險廢物經營許可證)	Ge'ermu Environmental Protection Ltd. (格爾木綠水青山環保服務有限公司)	Qinghai Provincial Department of Environmental Protection (青海省生態環保廳)	July 1, 2019	June 30, 2020
Qualification for the Disposal of Waste Electrical Appliances and Electronic Products (廢棄電器電子產品處理資格證書)	Guangxi Beijing Enterprises Urban Resources Limited (廣西北控城市資源有限公司)	Wuzhou Environmental Protection Bureau (梧州市環保局)	November 15, 2016	December 31, 2021
Qualification for the Disposal of Waste Electrical Appliances and Electronic Products (廢棄電器電子產品處理資格證書)	Jiangxi Mineral	Yingtan Environmental Protection Bureau (鷹潭市環保局)	October 17, 2018	October 16, 2023
Qualification for the Disposal of Waste Electrical Appliances and Electronic Products (廢棄電器電子產品處理資格證書)	Shaanxi BE Recycling	Xianyang Environmental Protection Bureau (咸陽市環保局)	June 20, 2018	June 19, 2021
Hazardous Chemical Business Licence (危險化學品經營許可證)	Ningxia Ruiyuan	Ningxia Hui Autonomous Region Ningdong Energy and Chemical Industry Base Management Committee (寧夏回族自治區寧東能源化工基地管理委員會)	April 3, 2018	June 18, 2020
Hazardous Waste Business License (危險廢物經營許可證)	Weifang Beijing Enterprises Environmental Technic Limited (濰坊北控環境技術有限公司)	Weifang Environment Bureau (濰坊市生態環境局)	October 23, 2019	October 22, 2020
Hazardous Waste Temporary Business License (危險廢物臨時經營許可證)	Xinjiang Xiyu Beijing Enterprises Environmental Construction Limited (新疆西域北控環境工程有限公司)	Xinjiang Production and Construction Corps Environment Bureau (新疆生產建設兵團生態環境局)	August 30, 2019	February 29, 2020
Hazardous Waste Business License (危險廢物經營許可證)	Beijing Enterprises Urban Environmental Resources (Yichang) Limited (北控城市環境資源(宜昌)有限公司)	Hubei Provincial Department of Environment (湖北省生態環境廳)	December 10, 2019	December 9, 2020

AWARDS AND RECOGNITION

We have received various certificates recognizing our ability to maintain quality management and operation systems in all areas of our business, including certifications that our quality management systems conform to ISO9001 standards, our environmental management systems conform to ISO14001 standards and our occupational health and safety management systems conform to OHSAS18001 standards.

During the Track Record Period and up to the Latest Practicable Date, we have received a number of awards and recognition, including:

Award/Recognition	Year of award/ recognition	Awarding authority/institution
Top 100 brands in the cleaning industry of China (中國清潔行業百強品牌證書)	2016	China Small and Medium Enterprise Association Clean Industry Branch (中國中小商業企業協會清潔行業分會)
Deputy corporate head of China Urban Environmental Sanitation Association Urban and Rural Environmental Sanitation Integration Professional Committee (中國城市環境衛生協會城鄉環衛一體化專業委員會副主任單位)	2016	China Urban Environmental Sanitation Association Urban and Rural Environmental Sanitation Integration Professional Committee (中國城市環境衛生協會城鄉環衛一體化專業委員會)
Member of Beijing City Appearance and Environmental Sanitation Association (北京市市容環境衛生協會會員)	2016	Beijing City Appearance and Environmental Sanitation Association (北京市市容環境衛生協會)
Member of China Urban Environmental Sanitation Association (中國城市環境衛生協會會員)	2016	China Urban Environmental Sanitation Association (中國城市環境衛生協會)
Deputy corporate chairman of China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會副會長單位會員)	2016	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)

Award/Recognition	Year of award/ recognition	Awarding authority/institution
Member of China Renewable Resources Recycling and Reuse Association (中國再生資源回收利用協會會員)	2016	China Renewable Resources Recycling and Reuse Association (中國再生資源回收利用協會)
Model for smart environmental sanitation award for best social value (智慧環衛優秀示範獎－最具社會價值獎)	2016	China Urban Environmental Sanitation Association Smart Environmental Sanitation Professional Committee (中國城市環境衛生協會智慧環衛專業委員會)
Strategic cooperation partner of China Small and Medium Enterprise Association Clean Industry Branch (中國中小商業企業協會清潔行業分會戰略合作夥伴)	2016	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)
Strategic cooperation partner of Yunnan Cleaning Service Industrial Association (雲南省清潔服務行業協會戰略合作夥伴單位)	2016	Yunnan Cleaning Service Industrial Association (雲南省清潔服務行業協會)
Award for contribution to the cleaning industry in China (中國清潔行業推優行業貢獻獎)	2017	China Small and Medium Enterprise Association Clean Industry Branch (中國中小商業企業協會清潔行業分會)
Top ten well-known brands in the cleaning industry in China (中國清潔行業推優十大著名品牌)	2017	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)

Award/Recognition	Year of award/ recognition	Awarding authority/institution
Top 100 brands in the cleaning industry in China (2017中國清潔行業百強品牌)	2017	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)
Model enterprise for urban and rural environmental sanitation integration (城鄉環衛一體化示範單位)	2017	The Committee of the First Western China Urban and Rural Environmental Sanitation Integration Summit (中國首屆西部城鄉環衛一體化高峰論壇)
Model for smart environmental sanitation award for industry influence (中國智慧環衛優秀示範評選－行業影響力獎)	2017	China Urban Environmental Sanitation Association Smart Environmental Sanitation Professional Committee (中國城市環境衛生協會智慧環衛專業委員會)
Enterprise for Industry Influence of 2017 China Environmental Sanitation Industry (2017年度中國環衛行業影響力企業)	2017	E20 Environment Platform (E20環境平台)
Innovative Enterprise for 2016-2017 Environmental Sanitation Industry — Silver Award (2016-2017年度環境衛生行業爭優創新系列表彰活動銀獎)	2017	China Urban Environmental Sanitation Association (中國城市環境衛生協會)

Award/Recognition	Year of award/ recognition	Awarding authority/institution
Model Enterprise for Integrity of China Municipal Environmental Sanitation Industry (中國市政環衛行業誠信經營示範單位)	2018	China Enterprise Credit Investigation and Assessment Center (中國企業信用調查評價中心)
Top Ten Model Projects of the Tenth China Environmental Sanitation Industry Annual Conference (第十屆中國清潔環衛環境行業年會十大示範工程項目)	2018	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)
Top Ten Hygiene Service Provider of the Tenth China Environmental Sanitation Industry Annual Conference (第十屆中國清潔環衛環境行業年會十佳清潔服務供應商)	2018	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)
Well-known brand of the Tenth China Environmental Sanitation Industry Annual Conference (第十屆中國清潔環衛環境行業年會著名品牌)	2018	China Small and Medium Enterprise Association Cleaning Industry Branch (中國中小商業企業協會清潔行業分會)
Enterprise for Industry Influence of 2018 China Environmental Sanitation Industry (2018年度中國環衛行業影響力企業)	2018	E20 Environment Platform (E20環境平台)

INTERNAL CONTROL AND RISK MANAGEMENT

We are exposed to various risks during our operations and have established risk management systems with policies and procedures that we believe are appropriate for our business operations. For details of the major risks identified by our management, see "Risk Factors — Risks Relating to Our Business and Industry." In addition, we face various financial risks, including interest rate risk, foreign currency risk, credit risk and liquidity risks that arise during our ordinary course of business. See "Financial Information — Qualitative and Quantitative Disclosure about Market Risk" for a discussion of these market risks.

We have implemented various risk management policies and internal control measures to identify, assess and manage risks arising from our operations. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of 3 members, namely Mr. Wu Tak Kong, Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. For the qualifications and experience of these committee members, see "Directors and Senior Management";

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, anti-corruption and anti-bribery compliance, connected transactions and information disclosure; and

- relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In addition, we have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as project management, financial reporting and human resources. Our relevant departments, including risk management department, operations department, financial department and human resources department are responsible for implementing our risk management policies and carrying out relevant practices. The risk management department is responsible for (i) designing and implementing our overall risk management process; (ii) analyzing current risks and identifying potential risks that we may be subject to; (iii) performing risk evaluations; and (iv) building risk awareness amongst our staff by providing support and training.

- *Project management risk management.* Our operations department selects projects carefully. The operations department is required to estimate costs at various stages for the potential project based on its experience, and will not propose the project to our Board if it believes that the project will not offer adequate profitability to cover the risks involved;

- *Financial reporting risk management.* The financial personnel shall report to the manager of the financial department and the chief financial officer in a timely manner. In addition, the manager of the financial department and the chief financial officer can request financial information from any financial personnel as work requires and ask questions about the information provided. We have a team of financial personnel that possess relevant degrees or qualifications in finance, accounting or other related fields. In addition, to ensure the effectiveness of financial reporting oversight, the manager of our financial department possesses working experience over three years in accounting firms and experience over seven years in financial management;

- *Human resource risk management.* The human resources department manages to safeguard the legitimate rights and interests of both parties to the employment relationship and improve operating efficiency. Our internal human resource management system covers all the stages of employment relationship, including recruitment and appraisal. In addition, our human resources department maintains a set of stringent recruitment procedures that helps us retain the best employees and improve the staff remuneration. For details, see "— Employees."

We have appointed an internal control consultant to review our internal control measures related to our major business processes, to identify the deficiencies for improvement, advise on the rectification measures and review the implementation of such measures. We have adopted corresponding internal control measures to make improvement on certain ordinary internal control issues identified. As of the Latest Practicable Date, our internal control consultant has completed the follow-up review procedures on our internal control system with regard to those actions.

The operation of our PRC subsidiaries has been and will continue to be subject to the governance of the laws and regulations of the PRC. The relevant laws and regulations are promulgated and implemented by government departments of China, including national and local laws and regulations in respect of environmental sanitation, hazardous waste treatment, waste appliances and electronic products, etc. This section contains a summary of the existing regulatory and legal requirements in relation to the operation of our business in the PRC. The laws and regulations are subject to changes and we are unable to predict the impacts of the changes to our operations and the additional costs of compliance.

LAWS AND REGULATIONS RELATING TO THE PRC ENVIRONMENTAL SANITATION INDUSTRY

The Environmental Protection Law of the People's Republic of China* (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), promulgated by the Standing Committee of the National People's Congress on December 26, 1989, implemented on January 1, 2015 and last amended on April 24, 2014, contains provisions relating to, *inter alia*, environmental supervision and management, protecting and improving environment, prevention and control of environmental pollution and other public hazards.

The Regulations on the Administration of City Appearance and Environmental Sanitation* (城市市容和環境衛生管理條例) was promulgated by the State Council on June 28, 1992, last amended on March 1, 2017, and implemented on March 1, 2017. The Regulations prescribe that the government shall construct environmental sanitation facilities for the cleaning, collection, transportation and treatment of domestic wastes; deploy professionals or entrust relevant entities and individuals to take charge of the cleaning and management of public toilets; garbage and excrement shall be cleaned up and transported away in time, and efforts shall be made to gradually realize the harmless treatment and comprehensive utilization of garbage and excrement. In addition, the Regulations require socialized services to be gradually implemented under environmental sanitation administration, and environmental sanitation service companies to be established in cities where conditions permit.

According to the Notice of the State Council on Approving the Distribution of Opinions of the Ministry of Housing and Urban-Rural Development and Other Departments on Further Strengthening the Treatment of Municipal Solid Waste* (國務院批轉住房城鄉建設部等部門關於進一步加強城市生活垃圾處理工作意見的通知) (the "**Notice on Treatment of Municipal Solid Waste**") issued by the State Council on April 19, 2011, the PRC government will fully mobilize the enthusiasm of social funds in participating in construction and operation of municipal solid waste treatment facilities, and comprehensively promote the resource utilization approaches for domestic wastes, such as waste product recycling, incineration power generation, and biological treatment. The Notice also requires cities to ensure the smooth construction of domestic garbage treatment facilities, speed up the approval for construction projects of domestic waste treatment facilities, construction land, environmental impact assessment, feasibility study, preliminary design, etc., and strictly implement and continuously improve the tax incentive measures relating to municipal solid waste treatment.

Urban environmental sanitation operation qualification licensing administrative mechanism

Aiming at strengthening the management of municipal solid waste and improving city appearance and environmental sanitation, the Measures for Management of Municipal Solid Waste* (城市生活垃圾管理辦法) was promulgated by the Ministry of Construction on April 28, 2007, revised on May 4, 2015, and implemented on May 4, 2015. Provisions has been made therein for the cleaning, collection, transportation and treatment of municipal solid waste and the relative management activities in the PRC. According to the Measures, enterprises engaged in commercial cleaning, collection and transportation of municipal solid waste shall obtain relevant licenses for engaging in commercial urban domestic garbage cleaning, collection and transportation services. The Measures also stipulate that the competent municipal, city and county construction (environmental sanitation) departments shall make decisions on the commercial cleaning, collection and transportation of municipal solid waste by virtue of fair competition methods, such as tendering and bidding; issue licenses for successful bidders to engage in commercial cleaning, collection and transportation of municipal solid waste; and enter into operation agreements with successful bidders in respect of cleaning, collection and transportation of municipal solid waste.

According to the above-mentioned Measures for Management of Municipal Solid Waste, enterprises engaged in commercial treatment of municipal solid waste shall obtain a license for the commercial treatment of municipal solid waste from the competent construction (environmental sanitation) departments of the local municipal, city and county people's governments. The competent municipal, city and county construction (environmental sanitation) departments shall make decisions on the license for commercial treatment of municipal solid waste by virtue of fair competition methods, such as tendering and bidding; issue licenses for successful bidders to engage in commercial treatment of municipal solid waste; and enter into operation agreements with successful bidders in respect of treatment of municipal solid waste.

Supervision mechanism for urban environmental sanitation services

The aforementioned Notice on Treatment of Municipal Solid Waste has laid down provisions for the operation entities of domestic waste treatment facilities. According to the Notice, the operation entities of domestic waste treatment facilities must strictly implement various engineering technical specifications and operational procedures, effectively improve the operation level of the facilities and establish a daily monitoring system for pollutant discharge, and report monthly the monitoring results to the local competent housing and urban-rural development (city appearance and sanitation) and environmental protection departments. The Notice also provides for the specific operational requirements for the operation entities of landfill facilities and incineration facilities.

According to the aforementioned Regulations on the Administration of City Appearance and Environmental Sanitation* (城市市容和環境衛生管理條例), the competent administrative department of urban construction under the State Council and the competent administrative department of city planning under the people's governments of provinces and autonomous regions, and the competent administrative department of city appearance and environmental sanitation under the municipal people's governments take charge of city appearance and environmental sanitation related works at national level and at local administrative region level respectively.

In respect of the daily supervision of urban sanitation services, the above-mentioned Measures for Management of Municipal Solid Waste* (城市生活垃圾管理辦法) stipulate that competent department of construction (environmental sanitation) under the municipal, city and county people's government shall supervise and inspect the implementation status of such Measures by enterprises engaged in commercial cleaning, collection, transportation and treatment of municipal solid waste within the local administrative regions; and may assign supervisors to commercial municipal solid waste treatment enterprises as needed. The supervisory and inspection measures that the competent department may adopt include reviewing and copying relevant documents and materials, requesting the inspecting objects to make a statement, taking an on-site inspection and ordering the relevant entities and individuals to rectify the illegal acts. In addition, the competent department shall entrust qualified measurement and certification organizations to monitor the quantity, quality and environmental impact of wastes treated at municipal solid waste treatment fields on a regular basis.

Technical specifications and standards applicable to urban environmental sanitation services

The Quality Standards for Urban Environmental Sanitation* (城市環境衛生質量標準) was promulgated by the Ministry of Construction on February 3, 1997 and implemented on May 1, 1997. These rules prescribe standards applicable to cleaning and clean-keeping of urban roads, collection, transportation and treatment of domestic waste and excrement, and environmental sanitation of major public places.

In order to improve the treatment level of municipal solid waste, the Ministry of Construction, the State Environmental Protection Administration and the Ministry of Science and Technology promulgated the Technical Policies for Municipal Solid Waste Treatment and Pollution Prevention and Control* (城市生活垃圾處理及污染防治技術政策) on May 29, 2000, which has laid down provisions for the management and technology selection and application of the whole process of waste collection, transportation and treatment.

The Ministry of Environmental Protection and the State General Administration of Quality Supervision, Inspection and Quarantine promulgated the Standards for Pollution Control on the Landfill Site of Municipal Solid Waste* (生活垃圾填埋場污染控制標準) (GB16889-2008) on April 2, 2008 and implemented the same on July 1, 2008, which prescribe standards applicable to the site selection, design, construction and acceptance of landfill site of municipal solid waste, the entry, closure, post maintenance and management of waste landfills, pollutant discharge, environmental and pollutant monitoring.

The Ministry of Housing and Urban-Rural Development promulgated the Technical Code for Municipal Solid Waste Sanitary Landfill* (生活垃圾衛生填埋處理技術規範) (GB50869-2013) on August 8, 2013 and implemented the same on March 1, 2014, which prescribe standards applicable to the site selection, design, construction, acceptance and operation management of newly-constructed, renovated and expanded municipal solid waste sanitary landfill projects.

The Ministry of Environmental Protection and the State General Administration of Quality Supervision, Inspection and Quarantine promulgated the Standards for Pollution Control on Municipal Solid Waste Incineration* (生活垃圾焚燒污染控制標準) (GB18485-2014) on May 16, 2014 and implemented the same on July 1, 2014, which prescribe standards applicable to the site selection, technology, waste for incineration, operation, emission control, monitoring, etc.

LAWS AND REGULATIONS RELATING TO THE PRC HAZARDOUS WASTE TREATMENT INDUSTRY

The aforementioned Environmental Protection Law has laid down provisions for the generation, treatment, recycling and other aspects of wastes. This Law also stipulates that the people's governments at all levels shall coordinate the construction of environmental sanitation facilities for the collection, transportation and treatment of solid wastes as well as hazardous waste centralized treatment facilities and fields in urban and rural areas, and ensure the normal operation of such facilities and fields.

The Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (中華人民共和國固體廢物污染環境防治法) (the "**Law on Prevention and Control of Solid Waste Pollution**") was promulgated by the Standing Committee of the National People's Congress on October 30, 1995, amended on December 29, 2004, subsequently revised on June 29, 2013, April 24, 2015 and November 7, 2016, and implemented on November 7, 2016, which is the first ad hoc law of the PRC for the prevention and control of environmental pollution by solid waste, and provides basic legal basis for the prevention and control of environmental pollution by solid waste. The Law on Prevention and Control of Solid Waste Pollution provides for the production, collection, storage, transportation, treatment and transfer of hazardous waste in the form of special chapters.

According to the Notice on Implementing Hazardous Waste Treatment Fee System and Promoting Industrialization of Hazardous Waste Treatment* (關於實行危險廢物處置收費制度促進危險廢物處置產業化的通知) issued by the National Development and Reform Commission, the State Environmental Protection Administration, the Ministry of Health, the Ministry of Finance and the Ministry of Construction on November 18, 2003, hazardous wastes refer to wastes listed in the National Catalog of Hazardous Waste* (國家危險廢物名錄) or those identified to be with hazardous properties according to national hazardous waste identification standards and identification methods, including industrial hazardous waste, medical waste and other social sources of hazardous waste. The Notice also requires local governments to encourage domestic and foreign capital, including private enterprises to invest in construction and operation of hazardous waste treatment facilities. When the government organizes the construction of centralized treatment facilities, it shall give priority to and select the qualified enterprises to undertake the centralized treatment of hazardous wastes through public bidding. In addition, according to the Notice, hazardous waste treatment fee shall be collected by treatment entities from entities producing hazardous waste, and shall be entirely used to pay for the collection, transportation, storage and treatment of hazardous waste; and no hazardous waste treatment fee shall be collected in any form before the hazardous waste treatment equipment being officially put into use.

The Law of the PRC on Circular Economy Promotion was promulgated by the Standing Committee of the National People's Congress on August 29, 2008, implemented on January 1, 2009, subsequently modified on October 26, 2018, and implemented on January 1, 2019. This Law stipulates that if an enterprise is not equipped with comprehensive utilization conditions for the waste generated in its production process, it shall provide the same to those qualified producers and operators for comprehensive utilization. According to provisions of the Law, local people's governments shall support waste recycling enterprises and other organizations to carry out waste collection, storage, transportation and information exchange.

The National Catalog of Hazardous Waste was promulgated by the Ministry of Environmental Protection, the National Development and Reform Commission and the Ministry of Public Security on June 6, 2008, amended on June 14, 2016 and implemented on August 1, 2016, which has laid down provisions for the definition, categorization, industry source, code, hazardous property, identification criteria and methods of hazardous waste.

Hazardous waste operation qualification licensing administrative mechanism

According to the Regulation on Administration of License for Operation of Hazardous Waste* (危險廢物經營許可證管理辦法) (the "**Regulation on License for Operation of Hazardous Waste**") promulgated by the State Council on May 30, 2004, amended on December 7, 2013 and February 6, 2016, and implemented on February 6, 2016, any entity collecting, storing and treating hazardous waste within the territory of PRC shall obtain a license for operation of hazardous waste in accordance with laws. The hazardous waste operation licenses can be categorized into comprehensive operation license for hazardous waste collection, storage and treatment and operation license for hazardous waste collection based on the operation models. Entities licensed with qualification for comprehensive operation of hazardous wastes may engage in the collection, storage, and treatment of hazardous wastes of various categories; while entities licensed with qualification for collecting hazardous wastes may only engage in collection of hazardous wastes including waste mineral oil generated in motor vehicle maintenance activities and waste nickel-cadmium batteries produced in people's daily life.

According to the above-mentioned Regulation on License for Operation of Hazardous Waste, the PRC government adopts a graded examination, approval and issuance mechanism with regards to hazardous waste operation licenses. In particular, comprehensive hazardous waste operation license for incineration of more than 10,000 tons of hazardous waste each year, comprehensive hazardous waste operation license for disposing such hazardous wastes containing polychlorinated biphenyls or mercury that is of great hazard to the environment and the body health, or comprehensive hazardous waste operation license for disposing hazardous wastes by making use of the comprehensive centralized treating facilities as listed in the state plan for the construction of hazardous waste treating facilities shall be examined, approved and issued by the competent department of environmental protection of the State Council; hazardous waste operation license for entities undertaking the centralized treatment of medical wastes shall be examined, approved and issued by the competent departments of environmental protection of the people's governments at the level of cities divided into districts where the facilities for centralized treatment of medical wastes are located; hazardous waste operation license for collection of hazardous waste shall be examined, approved and issued by the competent departments of environmental protection of the people's governments at the county level; and other hazardous waste operation licenses shall be examined, approved and issued by the competent departments of environmental protection of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government. The Regulation also stipulates that, under any of the following circumstances, the operation entity of hazardous wastes shall reapply for obtaining the permit for operation of hazardous wastes in light of the former application procedures: changing ways of operation of hazardous wastes; adding new varieties of hazardous wastes; newly establishing or rebuilding or expanding the construction of the former operation facilities of hazardous wastes; or managing hazardous wastes exceeding the annual business scale originally approved by 20% or more.

According to the Supreme People's Court and the Supreme People's Procuratorate's Interpretation on Certain Legal Issues Concerning the Treatment of Criminal Cases Relating to Environmental Pollution* (最高人民法院、最高人民檢察院關於辦理環境污染刑事案件適用法律若干問題的解釋) (the "**Legal Interpretation on Criminal Cases Relating to Environmental Pollution**") promulgated by the Supreme People's Court and the Supreme People's Procuratorate on December 23, 2016 and implemented on January 1, 2017, entities, without a hazardous waste operation license, engaged in business activities of collecting, storing, utilizing and disposing hazardous waste, which lead to serious environmental pollution, will be held criminally responsible. The Regulation also stipulates that entities, without a hazardous waste operation license, extracting substances from hazardous wastes as raw materials or fuels (which produce excessive emission of pollutants) for the purpose of making profits, illegally dumping pollutants or committing other illegal activities, causing environmental pollution, will also be held criminally responsible.

Regulation regime regarding hazardous wastes

According to the Law on Prevention and Control of Solid Waste Pollution as mentioned above, an entity that produces hazardous wastes must establish hazardous wastes management plans in compliance with the relevant national regulations and report the information relating to types, quantity of production, flow, storage and disposal of hazardous wastes to the environment protection competent authorities of the local people's government at or above the county level in the place in which it operates.

In order to strengthen the effective supervision on transfer of hazardous wastes and implement the united system under which transfer of hazardous wastes are monitored by various parties, the State Environmental Protection Administration of China issued the United Management Rules on Transfer of Hazardous Wastes* (危險廢物轉移聯單管理辦法) ("**United Rules on Hazardous Wastes**") on May 31, 1999, which began to take effect on October 1, 1999. According to the United Rules on Hazardous Wastes, an entity producing hazardous wastes is required to submit its plan of transferring hazardous wastes for approval prior to such transfer. Once approved, the entity shall apply for an united transfer note from the environment protection competent authorities of the place in which the wastes are to be transferred out, and shall report the plan of transfer to the aforesaid authorities within 3 days before the wastes are transferred, and also report the expected time of arrival to the environment protection competent authorities of the place in which the wastes are to be transferred in. The entity accepting the hazardous wastes should inspect and accept the wastes based on the contents set out in the united transfer note. As for the united transfer note, the pages 1 and 2 should by delivered to the entity producing the wastes by the entity accepting the wastes within 10 days since the acceptance of the wastes by the latter. And then, the page 1 shall be maintained by the entity producing wastes for record, and the page 2 should be submitted by the entity to the environment protection competent authorities of the place in which the wastes are transferred out within 2 days. Besides, the entity accepting the wastes shall deliver the page 3 of the note to the carrier for record, maintain the page 4 for its own record and submit the page 5 to the environment protection competent authorities of the place in which the wastes are transferred in within 2 days since the accept.

Based on the aforesaid Management Rules on Operation Licence of Hazardous Wastes* (危險廢物經營許可證管理辦法), an entity operating hazardous wastes shall formulate a record book recording in truth the information relating to the type, source, flow of the hazardous wastes collected, stored and disposed of by it or whether the entity has ever been involved in any accident. The book recording operation of hazardous wastes shall be maintained for over 10 years, while operation involving disposal of hazardous wastes by means of landfill should be maintained forever. In order to make clear the guidance and requirements on recording and reporting operation of hazardous wastes by relevant entities, the Minister of Environment Protection issued the Guidance for Recording and Reporting Operation of Hazardous Wastes by Operating Entities* (危險廢物經營單位記錄和報告經營情況指南) on October 29, 2009, which indicated the general requirement and content on record and report of operation of hazardous wastes.

Any behavior regarding illegal disposal of hazardous wastes may lead to consequence of criminal liability. According to the Criminal Law of the People's Republic of China, any person or entity would be obliged for criminal liability in case he/it breaks the national laws to discharge, dump or dispose of hazardous wastes to the land, water or air which causes material environment pollution accident and in turn leads to any grave consequence including, among others, material loss of public or private property or personal injury or death. According to the Legal Interpretation on Criminal Cases Relating to Environmental Pollution as mentioned above, criminal liability would be sentenced for any illegal discharge, dump or disposal of hazardous wastes over three tons.

Management regime regarding medical wastes

The Medical Wastes Management Rules* (醫療廢物管理條例) issued by the State Council on June 16, 2003, amended on January 8, 2011 and took effect on January 8, 2011 has determined prescription on collection, delivery, storage, disposal and supervision of medical wastes. As required under the Rules, the sanitary health competent authorities of the people's governments at county or above level are entitled to conduct unified supervision and administration on prevention and control of diseases that may occur during collection, delivery, storage and disposal of medical wastes; the environment protection competent authorities are entitled to conduct unified supervision and administration on prevention and control of environment pollution that may occur during collection, delivery, storage and disposal of medical wastes; and the other relevant authorities of the people's governments at county or above level are responsible for supervision and administration of disposal of medical wastes according to their own terms of reference. It is also prescribed by the Rules that medical health institutions and entities responsible for unified disposal of medical wastes shall follow the united management system regarding transfer of hazardous wastes pursuant to the Law of Prevention and Control of Solid Wastes Pollution as mentioned above, and shall file the medical wastes and adopt effective measures to prevent flow away, leakage and diffusion of medical wastes.

Medical wastes fall into hazardous wastes under the National Category of Hazardous Wastes as set out above. According to the Category, classification of medical wastes should be implemented pursuant to the Classification Category of Medical Wastes issued by the Minister of Health and the State Environment Protection Administration on October 10, 2003. The Classification Category of Medical Wastes makes clear 5 classes and 18 groups of medical wastes.

According to the Notice Relating to Further Strengthening Medical Wastes Management* (關於進一步加強醫療廢物管理工作的通知) issued by the Office of National Commission of Health and Population and Family Planning and the Office of the Minister of Environment Protection on December 27, 2013, an entity engaging in unified disposal of medical wastes is required to apply for hazardous wastes operation licence by laws, and conduct wastes management by reference to the Guidance for Recording and Reporting Operation of Hazardous Wastes by Operating Entities as mentioned above, including establishing hazardous wastes operation record book, regularly reporting to relevant environment protection department its operating activities, preparing prevention initiatives and emergency plan for any outburst of environment issues, securing emergency prevention facilities and equipment, conducting regular emergency rehearsal, establishing daily environment monitoring system and monitoring pollutants discharge by itself or via engagement of other qualified party.

National standards applicable to operation of hazardous wastes

The PRC government has formulated mandatory national environmental protection standards for incineration, landfill and storage of hazardous waste. The State Environmental Protection Administration and the State General Administration of Quality Supervision, Inspection and Quarantine issued the National Standards on Pollution Control for Incineration of Hazardous Wastes* (危險廢物焚燒污染控制標準) (GB18484-2001) on November 12, 2001 which began to take effect on January 1, 2002, providing the pollution control standards for the whole process of hazardous waste incineration.

The State Environmental Protection Administration and the State General Administration of Quality Supervision, Inspection and Quarantine issued the National Standards on Pollution Control for Landfill of Hazardous Wastes* (危險廢物填埋污染控制標準) (GB18598-2001) on December 28, 2001 which began to take effect on July 1, 2002, providing the detailed environment protection requirements involved in construction and operation of safety landfills for hazardous wastes, including, among others, conditions for wastes to be filled and site selection, design, construction, operation, closure and monitor of landfills.

The State Environmental Protection Administration and the State General Administration of Quality Supervision, Inspection and Quarantine issued the National Standards on Pollution Control for Storage of Hazardous Wastes* (危險廢物貯存污染控制標準) (GB18597-2001) on December 28, 2001 which began to take effect on July 1, 2002, providing the detailed requirements on package of hazardous wastes and site selection, design, operation, safety protection, monitor and closure of storage facilities.

LAWS AND REGULATIONS REGARDING WASTE ELECTRICAL APPLIANCES AND ELECTRONIC PRODUCTS INDUSTRY IN PRC

The Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security, the Ministry of Construction, the State Administration for Industry and Commerce and the State Environmental Protection Administration jointly issued the Administration Measures on Recycling of Renewable Resources* (再生資源回收管理辦法) on March 27, 2007 which began to take effect from May 1, 2007, setting out the detailed requirements on recycling of renewable resources, including old metal, waste electronic products, waste electromechanical equipment and components thereof, etc. Pursuant to these Measures, it is encouraged by the State to collect and trade renewable resources throughout the entire society, and to recycle and treat renewable resources in such manners that would not do harm to the environment.

The Administration Rules on Recycling and Treatment of Waste Electrical Appliances and Electronic Products* (廢棄電器電子產品回收處理管理條例) (the "**Rules**") which was released by the State Council on February 25, 2009, took effect from January 1, 2011 and last revised on March 2, 2019 regulates recycling and treatment of waste electrical appliances and electronic products. As set out in the Rules, enterprises engaged in treatment of waste electrical appliances and electronic products are encouraged by the State to establish long term cooperation with the manufacturers, dealers of the relevant products and recycling operators of such waste products, to recycle those waste appliances and electronic products. In addition, the state has also established a special fund for treatment of waste appliances and electronic products under the Rules, which is used to pay the subsidy for recycling and treatment of waste appliances and electronic products.

Pursuant to the 2014 Treatment Catalogue for Waste Appliances and Electronic Products* (廢棄電器電子產品處理目錄(2014年版)) jointly promulgated by the National Development and Reform Commission, the Ministry of Environment Protection, the Ministry of Industry and Information Technology, the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on February 9, 2015 and took effect from March 1, 2016, a total of 14 types of waste electrical appliances and electronic products are determined. On April 25, 2016, the Office of National Development and Reform Commission, the Office of Ministry of Environment Protection, the Office of Ministry of Industry and Information Technology, the Office of Ministry of Finance, the Office of General Administration of Customs and the Office of State Administration of Taxation the Interpretation of the 2014 Treatment Catalogue for Waste Appliances and Electronic Products* (「廢棄電器電子產品處理目錄(2014年版)」釋義), so as to make one-by-one explanation on the scope of the 14 types of waste electrical appliances and electronic products.

Management system governing licensing and filing of qualification for treatment of waste electrical appliances and electronic products

According to the aforesaid Administration Rules on Recycling and Treatment of Waste Electrical Appliances and Electronic Products, the State adopts qualification license system for treatment of waste electrical appliances and electronic products. The competent authorities responsible for environment protection of those municipal people's governments which set districts are authorized to review and approve whether an enterprise is qualified to treat waste electrical appliances and electronic products.

To regulate license grant for treatment qualification for waste electrical appliances and electronic products so as to prevent environment pollution resulting therefrom, the Ministry of Environment Protection issued the Administrative Measures on License Grant for Treatment Qualification for Waste Electrical Appliances and Electronic Products* (廢棄電器電子產品處理資格許可管理辦法) on December 15, 2010 which took effect from January 1, 2011. The Measures set out provisions on the substantial conditions, application methods and supervision management for an enterprise to apply for treatment qualification for waste electrical appliances and electronic products. According to the Measures, an enterprise engaged in treatment of waste electrical appliances and electronic products should reapply for treatment qualification under the original application procedure if any of the followings occurs: the enterprise increases categories of products to be treated; construction of new treatment facilities, modification or expansion of existing treatment facilities; products treated by the enterprise exceed 20% of its treatment capacity as determined by the qualification certificate.

In order to guide and regulate the review and licensing of qualification of enterprises applying for such qualification to treat waste electrical appliances and electronic products from the environment protection competent authorities of local people's governments, the Ministry of Environment Protection released the Guidelines on Review and Licensing of Treatment Qualification of Enterprises for Waste Electrical Appliances and Electronic Products* (廢棄電器電子產品處理企業資格審查和許可指南) on December 9, 2010, indicating the licensing conditions and procedures for treatment qualification for waste electrical appliances and electronic products.

Besides, the aforesaid Administration Measures on Recycling of Renewable Resources also determines the filing system applicable for renewable resources recycling operators, pursuant to which, an enterprise engaged in recycling of renewable resources shall file with the commerce competent authorities or the authorized organs thereof which function as the same level as the administrative departments of industry and commerce of the place where the enterprise is registered. Furthermore, in addition to filing with the aforesaid commerce competent authorities, renewable resources enterprises recycling productive scrap metal and renewable resources operators recycling non-productive scrap metal shall also file with the public security authorities of county people's governments of the places in which they operate.

Regulation system regarding treatment of waste electrical appliances and electronic products

According to the Administrative Measures on License Grant for Treatment Qualification for Waste Electrical Appliances and Electronic Products, the environment protection competent authorities of people's governments at or above the county level are responsible for supervision management of treatment of waste electrical appliances and electronic products. They shall strengthen the supervision inspection on the treatment activities via written verification and spot inspection, and record the results of relevant inspection and disposal. Enterprises treating waste electrical appliances and electronic products are required to establish annual monitoring plan to conduct regular monitoring on discharge of pollutants, and the relevant monitoring report should be maintained for over three years. Besides, the environment protection competent authorities of people's governments at or above the county level shall conduct supervisory monitoring with respect to discharge of pollutants by enterprises treating waste electrical appliances and electronic products no less than once every half year. Enterprises treating waste electrical appliances and electronic products should establish data management system so as to report to the certificate issuing party the basic data and relevant matters relating to treatment of waste electrical appliances and electronic products on a regular basis and make it available to the society.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT IN CHINA

The establishment, operation and management of corporate entities in China is governed by the Company Law of the PRC (the "**Company Law**"), which was promulgated by the Standing Committee of the National People's Congress on December 29, 1993 and became effective on July 1, 1994. It was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. Companies comprise two types — limited liability companies and joint stock limited companies. The Company Law shall also apply to foreign-invested limited liability companies. According to the Company Law, where laws on foreign investment have other stipulations, such stipulations shall apply.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the Foreign-owned Enterprise Law of the PRC which was promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, and the Implementation Regulation under the Foreign-owned Enterprise Law of the PRC which was promulgated on December 12, 1990 and amended on February 19, 2014. According to the latest amended version of the Foreign-owned Enterprise Law of the PRC which became effective on September 3, 2016, where establishment of a foreign-owned enterprise do not involve implementation of the special administrative measures for admission required by the nation, the establishment and material change must be filed for record. The special administrative measures for admission required by the nation must be promulgated or approved for promulgation by the State Council.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Special Administrative Catalogue (Negative List) for the Access of Foreign Investment and the Catalogue of Industries for Encouraging Foreign Investment, both of which were promulgated by the Ministry of Commerce and the National Development and Reform Commission on June 30, 2019 and became effective on July 30, 2019. The Catalogues have served as the long term instrument of the policy makers of the PRC to manage and guide foreign investment. Under the Catalogues, industries are generally divided into three types, namely encouraged industries, restricted industries and prohibited industries. Foreign investors and foreign-owned enterprises are not allowed to make any investment falling into the "prohibited" industries as set out in the Negative List. Unless particularly prohibited by other laws in China, industries not listed in the Negative List are generally open for foreign investment.

The Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("**M&A Rules**"), jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006 and became effective on September 8, 2006 and then amended on June 22, 2009, provides the rules with which foreign investors must comply the relevant foreign-funded enterprise policies when acquiring domestic enterprises by assets or equities while reporting to relevant MOFCOM departments for approval.

The Provisional Methods for Filing Management for Establishment and Changing of Foreign-invested Companies (《外商投資企業設立及變更備案管理暫行辦法》) ("**Provisional Methods**") was promulgated by MOFCOM on October 8, 2016, and revised on June 29, 2018 the last time. The Decisions on Modifying the Four Laws Including the Law for Foreign Companies (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) and Provisional Methods revise relevant administrative approval provisions of the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》), the Law of the People's Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People's Republic of China on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People's Republic of China on the Protection of the Investments of Taiwan Compatriots (《中華人民共和國台灣同胞投資保護法》) and the relevant formality regime for the incorporation and change of foreign-invested enterprises, whereby if the incorporation or change of foreign-invested enterprises and enterprises funded by Taiwan compatriots does not involve special access administrative measures restricted list prescribed by the PRC government, the examination and approval process is now being replaced by the record-filing administration process.

On March 15, 2019, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) hereinafter "**the Foreign Investment Law**") was adopted by the National People's Congress and will come into force on January 1, 2020. When enforced, the Foreign Investment Law will replace, among others, the Foreign-owned Enterprise Law of the PRC. In accordance with the Foreign Investment Law, the PRC maintains a system of pre-entry national treatment plus negative list management for foreign investment; the PRC governmental authorities establish and improve a system serving foreign investment to provide consultation and services to foreign investors and foreign-invested enterprises on laws and regulations, policy measures and investment project information; the PRC governmental authorities ensure that foreign-invested enterprises have equal access to government procurement through fair competition in accordance with the law; products and services provided by foreign-invested enterprises within China are treated equally in government procurement in accordance with the law.

LAWS AND REGULATIONS RELATING TO TAXATION IN THE PRC

Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements* (關於執行稅收協定股息條款有關問題的通知), or Circular 81, a Hong Kong resident enterprise must meet the following conditions, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations.

The Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties* (非居民納稅人享受稅收協定待遇管理辦法), or Circular 60, promulgated by the State Administration of Taxation in August 2015 and became effective on November 1, 2015, provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities.

Accordingly, our Hong Kong subsidiary may be able to enjoy the 5% withholding tax rate for the dividends they receive from our PRC subsidiaries, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81 and Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) promulgated by National People's Congress on March 16, 2007, revised on December 29, 2018, and implemented on the same day, since January 1, 2008, local enterprises and foreign-invested enterprises are both subject to an enterprise income tax rate of 25%, and "high and new technology enterprises" that require key state support are subject to an enterprise income tax rate of 15%.

The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (the "**SAT Circular 82**") (關於境外註冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知) was promulgated by the SAT on April 22, 2009 and amended on December 29, 2017. According to SAT Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a "de facto management body" in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (a) the primary location of the day-to-day operational management is in China; (b) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (c) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in China; and (d) 50% or more of voting board members or senior executives habitually reside in China.

As the tax residency status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" as applicable to our onshore entities, we may be treated as a resident enterprise for PRC tax purposes under the EIT Law, and we may therefore be subject to PRC income tax on our global income. We are actively monitoring the possibility of "resident enterprise" treatment for the applicable tax years and are evaluating appropriate organizational changes to avoid this treatment, to the extent possible.

In the event that we or any of our onshore subsidiaries is considered to be a PRC resident enterprise: we or our onshore subsidiaries, as the case may be, may be subject to the PRC enterprise income tax at the rate of 25% on our worldwide taxable income; dividend income that we or our onshore subsidiaries, as the case may be, received from our PRC subsidiaries may be exempt from the PRC withholding tax; and interest paid to our non-PRC shareholders who are non-PRC resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of up to 10% and similarly, dividends paid to our shareholders who are non-PRC resident individuals, as well as gains realized by such shareholders from the transfer of our shares, may be regarded as PRC-sourced income and as a result be subject to PRC withholding tax at a rate of 20%. Any such PRC tax liability may be reduced by an applicable tax treaty.

Under applicable PRC laws, payers of PRC-sourced income to non-PRC residents are generally obligated to withhold PRC income taxes from the payment. In the event of a failure to withhold, the non-PRC residents are required to pay such taxes on their own. Failure to comply with the tax payment obligations by the non-PRC residents will result in penalties, including full payment of taxes owed, fines and default interest on those taxes.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC* (中華人民共和國增值稅暫行條例), which was promulgated by the State Council on December 13, 1993 and amended on November 19, 2017, all entities or individuals in China engaged in the sale of goods, processing services, repair and replacement services, sale of services, intangible assets and real estate as well as the importation of goods are required to pay value-added tax ("**VAT**"). VAT payable is calculated as "output VAT" minus "input VAT", and the rate of VAT is 17% or in certain circumstances, 11%, 6% and 0%, depending on the products.

According to the Notice on Adjustment Value-added Tax Rates (Cai Shui [2018] No. 32)* (關於調整增值稅稅率的通知(財稅[2018]32號)), which was promulgated by the SAT and the Ministry of Finance of China on April 4, 2018 and became effective on May 1, 2018, the VAT rate of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 16% and 10% respectively.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS IN THE PRC

Patent Right

Under the PRC Patent Law* (中華人民共和國專利法), which was promulgated by the Standing Committee of the National People's Congress on March 12, 1984 and effective from April 1, 1985, as amended on September 4, 1992, August 25, 2000 and December 27, 2008, the period of patents relating to inventions are 20 years from the initial date the patent application was filed and the patent becomes effective upon the approval announcement is published by the State Intellectual Property Office of the PRC. The period of patents relating to utility model patents and design patents are ten years from the initial date the patent application was filed and the patent becomes effective upon the approval announcement is published by the State Intellectual Property Office of the PRC. Any persons and entities using the patent in the absence of authorisation from the patent owner or conducting other activities which infringe upon patent rights will be held liable for compensation to the patent owner, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

Trademark Right

Under the PRC Trademark Law* (中華人民共和國商標法), which was promulgated by the Standing Committee of the National People's Congress on August 23, 1982 and became effective from March 1, 1983, as amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, the Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the country. The period of validity of a registered trademark is ten years from the date of registration; renewal is allowed thereafter and the period of validity of each renewal of registration is ten years. Any persons and entities using the registered trademark in the absence of authorisation from the registered trademark holder or conducting other activities which infringe upon registered trademark rights will be held liable for compensation to the registered trademark holder, subject to fines charged by relevant administrative authorities and may include criminal liabilities, as the case may be.

Copyright

China is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001. Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the PRC* (中華人民共和國著作權法) (the "**Copyright Law**", promulgated on September 7, 1990 and amended on October 27, 2001 and February 26, 2010) and related rules and regulations. The Copyright Law provides that PRC citizens, legal persons, or other organizations shall whether published or not, enjoy copyright in their works, which include, works of literature, art, natural science, social science, engineering technology and computer software. Under the Copyright Law, the term of protection for copyrighted software is 50 years.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION IN THE PRC

The Ministry of Environmental Protection of the PRC (中國環保部) is responsible for the uniform supervision and control of environmental protection in China. It formulates national environmental quality and discharge standards and monitors the PRC's environmental system. Environmental protection bureaus at the county level and above are responsible for environmental protection within their areas of jurisdiction.

Pursuant to the Environmental Protection Law of the PRC* (中華人民共和國環境保護法) (the "**Environmental Protection Law**"), promulgated on and effective from December 26, 1989 and amended on April 24, 2014, by the Standing Committee of the National People's Congress, the environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to incorporate environmental protection measures in its operations and establish an environmental protection responsibility system. Any entity that discharges pollution must register with the relevant environmental protection authority. Remedial measures for breaches of the Environmental Protection Law include a warning, payment of damages or imposition of a fine. Criminal liability may be imposed for a material violation of environmental laws and regulations that causes loss of property, personal injuries or death.

Pursuant to the Law on Environmental Impact Evaluation of the PRC* (中華人民共和國環境影響評價法) promulgated on October 28, 2002, effective from September 1, 2003 and last amended on December 29, 2018, by the Standing Committee of the National People's Congress, manufacturers must prepare and file an environmental impact report setting forth the impact that the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the relevant PRC government authority prior to commencement of construction of the relevant project. New facilities built pursuant to this approval are not permitted to operate until the relevant environmental bureau has performed an inspection and is satisfied that the facilities are in compliance with environmental standards.

According to the Administrative Regulations on the Environmental Protection of Construction Project* (建設項目環境保護管理條例) promulgated by the State Council on November 29, 1988, amended on July 16, 2017 and became effective on October 1, 2017, construction entities shall, upon completion of a construction project which requires submission of an environmental impact report or environmental impact statement, arrange for the acceptance inspection on the completion and prepare completion acceptance report in respect of ancillary environmental protection facilities in accordance with regulations and procedures stipulated by the competent environmental protection authorities of the State Council.

The Law of the People's Republic of China on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法) amended by the NPC Standing Committee on June 27, 2017, the Law of the People's Republic of China on the Prevention and Control of Air Pollution* (中華人民共和國大氣污染防治法) which was last amended by the NPC Standing Committee on October 26, 2018, the Law of the People's Republic of China on the Prevention and Control of Environmental Noise Pollution* (中華人民共和國環境噪聲污染防治法) promulgated by the NPC Standing Committee on October 29, 1996 and amended on December 29, 2018 and the Law of the People's Republic of China on the Prevention and Control of Environment Pollution by Solid Wastes* (中華人民共和國固體廢物污染環境防治法) amended by the NPC Standing Committee on November 7, 2016 provide the details on the prevention and control of water pollution, air pollution, environmental noise pollution and environment pollution by solid wastes.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE IN THE PRC

The Foreign Exchange Administrative Regulations of the PRC* (中華人民共和國外匯管理條例) (the "**Foreign Exchange Administrative Regulations**"), which was promulgated on January 29, 1996, implemented since April 1, 1996 and was amended on January 14, 1997 as well as August 5, 2008, forms an important legal basis for the PRC authorities to supervise and regulate foreign exchange.

According to Foreign Exchange Administrative Regulations, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans, unless prior approval of the SAFE is obtained.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Round-trip Investment through Special Purpose Vehicles* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**") on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75." SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity (referred as a "special purpose vehicle" in SAFE Circular 37), for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

According to the Decision of the State Council on Revocation and Adjustment of a Number of Items Requiring Administrative Approval* (國務院關於取消和調整一批行政審批項目等事項的決定) issued and became effective on October 23, 2014, the SAFE and its branches have canceled the requirements for examination and approval of foreign exchange repatriation and settlement in respect of any funds under any foreign shares in a domestic company listed overseas.

On February 13, 2015, SAFE released Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies* (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**SAFE Circular 13**"), under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, starting from June 1, 2015. Therefore, the above registration under the SAFE Circular 37 shall be reviewed and processed by a qualified bank directly rather than by the SAFE.

LAWS AND REGULATIONS RELATING TO LABOUR AND EMPLOYMENT IN THE PRC

The relevant labor laws in the PRC include the Labour Law of the PRC* (中華人民共和國勞動法) (effective from January 1, 1995 and last amended on December 29, 2018), the Labour Contract Law of the PRC* (中華人民共和國勞動合同法) (effective from January 1, 2008 and amended on December 28, 2012), the Social Insurance Law of the PRC* (中華人民共和國社會保險法) (effective from July 1, 2011 and last amended on December 29, 2018), the Regulation of Insurance for Work-Related Injury (工傷保險條例) (effective from January 1, 2004 and amended on December 20, 2010), the Provisional Measures on Insurance for Maternity of Employees* (企業職工生育保險試行辦法) (effective from January 1, 1995), the Interim Regulation on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例) (effective from January 22, 1999 and amended on March 24, 2019), the Regulations on the Administration of Housing Provident Funds* (住房公積金管理條例) (effective from April 3, 1999 and last amended on March 24, 2019), and other related laws and regulations issued by relevant governmental authorities from time to time in the PRC.

According to the Labour Law of the PRC, employees are entitled to have equal opportunities in employment, selection of occupations, receiving wages and remuneration, rest days and holidays, protection of occupational safety and health, the rights to social insurance and welfare, etc. An employee shall not work for more than 8 hours a day and no more than 44 hours a week on average. The employers must establish and improve the system for occupational safety and health, provide education on occupational safety and health to employees, and comply with the State and/or local regulations of occupational safety and health as well as provide necessary labor protective measures to employees.

According to the Labour Contract Law of the PRC, labor contracts must be executed in order to establish a labor relationship between an employer and employee. For recruiting employees, an employer should inform the employees truthfully the content of work, working conditions, place of work, occupational hazards, safe production conditions, labor remuneration and other circumstances requested to be notified by the employees. An employer and an employee shall fully perform their respective obligations in accordance with the terms set forth in the labor contract. An employer must make payment for employee remuneration timely and in full amount in accordance with the contract terms, must strictly abide by the fixed standard of labor work, and must not force or threaten an employee in disguise to work overtime. After the labor contract is released or terminated, the employer should issue a proof of release or termination of the labor contract to the employee, and complete the filing procedure and transfer of social insurance relationship for the employee within 15 days.

Pursuant to the Law of Manufacturing Safety of the PRC* (中華人民共和國安全生產法) promulgated by the Standing Committee of the NPC on June 29, 2002, effective from November 1, 2002, and recently amended on August 31, 2014, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws and regulations. Manufacturers who do not meet relevant legal requirements are not permitted to commence manufacturing activities.

Under the Social Insurance Law* (社會保險法), the Regulation of Insurance for Work-Related Injury* (工傷保險條例), the Provisional Measures on Insurance for Maternity of Employees* (企業職工生育保險試行辦法) and the Interim Regulation on the Collection and Payment of Social Insurance Premiums* (社會保險費徵繳暫行條例), an employer is required to contribute the social insurance for its employees, including the basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance.

Under the Regulations on the Administration of Housing Provident Fund* (住房公積金管理條例), PRC companies must register with applicable housing fund management centres and establish a special housing fund account. Both PRC companies and their employees are required to make contributions to the housing funds.

* *For identification purpose*

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules.

Our Directors confirm that the following transactions will continue after the Listing and will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

1. Continuing connected transaction which is fully exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirements

Administrative Services Agreement

BE Urban Resources PRC entered into an administrative services agreement (the "**Administrative Services Agreement**") with BE Water Investment on December 19, 2019 in respect of the provision of information technology and technical support by BE Water Investment to our Group, for a term commencing from the Listing Date to December 31, 2021. The charges payable under the Administrative Services Agreement have been determined on cost basis which are allocated to the parties and calculated based on the usage by the staff on the provision of relevant services. Our Directors are of the view that such transaction has been and will be entered into in the ordinary and usual course of business and on normal commercial terms that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

There were no historical transaction amounts for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 as there was no such service arrangement during that period of time.

BE Water Investment is a wholly-owned subsidiary of BEWG, our substantial shareholder. As such, BE Water Investment is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Administrative Services Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. BE Water Investment is principally engaged in the provision of investment services.

Since the provision of the administrative services under the Administrative Services Agreement is on a cost basis and the costs are identifiable and are allocated to the parties involved on a fair and equitable basis, pursuant to Rule 14A.98 of the Listing Rules, such transaction is fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

2. Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent shareholders' approval requirements

(a) Framework Operating and Management Agreement

On April 1, 2019, Guangxi Guigang Beijing Enterprises Water Environmental Protection Limited* (廣西貴港北控水務環保有限公司) ("**Guigang Environmental Protection**") entered into a framework operating and management agreement (the "**Framework O&M Agreement**") with Guigang Sanitation, pursuant to which Guigang Sanitation agreed to provide operating and management services in relation to the domestic waste treatment and transfer in certain areas of Guigang city, Guangxi Zhuang autonomous region, for a term commencing from April 1, 2019 to December 31, 2021. Guigang Sanitation is entitled to the priority of renewal upon the expiration of the Framework O&M Agreement.

Historically, pursuant to the investment and operation agreement entered into between Guigang Environmental Protection and local government of Guigang city, and a confirmation issued by the local government of Guigang city, Guigang Sanitation had been entrusted by Guigang Environmental Protection to provide domestic waste treatment and transfer services directly to the local government of Guigang city since 2014. As such, there was no historical amount between Guigang Environmental Protection and Guigang Sanitation for the years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2019 as the fees were paid by the local government of Guigang city to Guigang Sanitation directly, the historical transaction amount of which for the years ended December 31, 2016, 2017 and 2018 and the three months ended March 31, 2019 amounted to RMB15.8 million, RMB16.7 million, RMB17.8 million and RMB6.4 million, respectively. Taking into account Guigang Sanitation's service history with the local government of Guigang city and its extensive experience in the waste treatment industry, both Guigang Environmental Protection and Guigang Sanitation agreed that the operating and maintenance requirements of the local government could be best satisfied if Guigang Sanitation continues to provide operating and management services. To formalize the relevant service process, Guigang Environment Protection and Guigang Sanitation decided to enter into the Framework O&M Agreement.

For the three months ended June 30, 2019, the operating and management fees payable to Guigang Sanitation under the Framework O&M Agreement amounted to RMB3.2 million. Our Directors estimate that for the three years ending December 31, 2021, the aggregate annual operating and management fees receivable by Guigang Sanitation under the Framework O&M Agreement will not exceed RMB11.2 million, RMB15.3 million and RMB15.7 million, respectively. Such estimate is agreed following arm's length negotiations between the relevant parties with reference to (i) the historical amounts payable by the local government as set out above, (ii) the increasing capacity of operating and management of Guigang Sanitation; (iii) the projected volume of domestic waste to be treated and transferred by Guigang Sanitation for the three years ending December 31, 2021, and (iv) the unit price of the domestic waste to be treated and transferred by Guigang Sanitation as evaluated by Beijing North Asia. Beijing North Asia, an independent valuer to our Group, has reviewed the proposed operating and management fees in the Framework O&M Agreement and confirmed such proposed fees are fair and reasonable.

Guigang Environmental Protection is an indirectly wholly-owned subsidiary of BEWG, our substantial Shareholder. As such, Guigang Environmental Protection is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Framework O&M Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. Guigang Environmental Protection is principally engaged in waste incineration and power generation.

As each of the applicable percentage ratios (other than the profits ratio) for the Framework O&M Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Framework O&M Agreement would be subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirements under the Listing Rules.

(b) Technical Service Agreement

On September 20, 2019, Beijing Enterprises Urban Services (Quannan) Limited (北控城市服務(全南)有限公司) ("**BE Quannan**") entered into a technical service agreement (the "**Technical Service Agreement**") with Hunan BE Well-Point Environmental Science & Technology Limited (湖南北控威保特環境科技股份有限公司) ("**Hunan BE Well-Point**"), pursuant to which Hunan BE Well-Point agreed to provide technical services including landfill services and relevant maintenance of landfill facilities to BE Quannan at Quannan county, Jiangxi province, for a term commencing from January 1, 2019 to December 31, 2021. BE Quannan and Hunan BE Well-Point submitted the bidding application to the local government together taking into consideration that (i) one-stop service (including cleaning, collection, transportation and landfill of waste) can be provided, (ii) Hunan BE Well-Point is the operator of a landfill facility adjacent to where the related environmental hygiene services are to be provided, (iii) Hunan BE Well-Point is an experienced landfill service provider in the PRC, the shares of which are listed on the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading shares of public companies, and (iv) the fees quoted by Hunan BE Well-Point is competitive compared with the fees quoted by other independent third parties.

There were no historical transaction amounts for the year ended December 31, 2016 as BE Quannan only started to engage Hunan BE Well-Point to provide landfill services in June 2017. The historical transaction amount for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019 amounted to HK$1.5 million, HK$2.8 million and HK$2.1 million, respectively.

Our Directors estimate that for the three years ending December 31, 2021, the aggregate annual charge payable by BE Quannan to Hunan BE Well-Point under the Technical Service Agreement will not exceed RMB4.2 million, RMB4.5 million and RMB4.5 million, respectively.

The fees payable to Hunan BE Well-Point under the Technical Service Agreement was negotiated on an arm's length basis with reference to (i) the historical amounts as set out above, (ii) the increased area to be cleaned by BE Quannan starting 2019; (iii) the projected volume of domestic waste to be treated by Hunan BE Well-Point for the three years ending December 31, 2021, and (iv) the unit price of landfill provided by other independent third party service providers.

Hunan BE Well-Point is indirectly owned as to 40.0% by BEWG, our substantial Shareholder. As such, Hunan BE Well-Point is a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transaction contemplated under the Technical Service Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. Hunan BE Well-Point is engaged in a number of businesses, including household garbage landfill business.

As each of the applicable percentage ratios (other than the profits ratio) for the Technical Service Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Technical Service Agreement would be subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirements under the Listing Rules.

WAIVERS

The transaction described in paragraph 1 above constitutes fully exempt continuing connected transaction under the Listing Rules. The transactions described in paragraph 2 above constitute non-exempt continuing connected transactions under the Listing Rules. The applicable percentage ratios are those as defined in Rule 14.07b of the Listing Rules. In respect of the transaction described in paragraph 1, it constituted administrative services on a cost basis pursuant to Rule 14A.98 of the Listing Rules. As such, the continuing connected transaction in paragraph 1 would be exempt from reporting, annual review, announcement, circular and the independent shareholders' approval requirements under the Listing Rules. In respect of the transactions described in paragraph 2, the applicable percentage ratios (other than the profit ratio) calculated with reference to the proposed annual caps for each of the years shown above are more than 0.1% but less than 5% on an annual basis. As such, the continuing connected transactions in paragraph 2 above would be subject to reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirements under the Listing Rules.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with announcement requirements of the Listing Rules in respect of the continuing connected transactions as disclosed in paragraph 2 subject to (i) the above non-exempt continuing connected transactions will be carried out in compliance with the requirements of the Listing Rules and we shall comply with the relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules, and (ii) the aggregate value of such non-exempt continuing connected transactions for each of the financial years ending December 31, 2021 will not exceed the relevant annual caps set forth above, respectively.

DIRECTORS' VIEW

Our Directors, including our independent non-executive Directors, consider that all the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole and are in the ordinary and usual course of our business. Our Directors, including our independent non-executive Directors, are also of the view that the proposed annual caps of the continuing connected transactions above are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

Based on the documentation and data provided by our Company and the Joint Sponsors' participation in due diligence and discussions with the management of our Company, the Joint Sponsors are of the view that the above non-exempt continuing connected transactions have been entered into in the ordinary and usual course of our Company's business on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps in respect of such non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board currently consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and financial reports, formulating proposals for profit distributions and for exercising other powers, functions and duties as conferred by the Articles. We have entered into service agreements with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

The table below sets forth certain information in respect of our Directors and senior management:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Group	Roles and responsibilities
Mr. Zhao Kexi (趙克喜)	44	November 12, 2016	March 26, 2019	Executive Director, chief executive officer and president	Overall management of our Group
Mr. Zhang Hailin (張海林)	49	July 27, 2015	March 26, 2019	Executive Director and vice president	Administrative management of our Group and the overall management of environmental hygiene service segment
Mr. Huang Zhiwan (黃志萬)	60	September 13, 2013	March 26, 2019	Executive Director	Providing consultation advice on project production and operations and managing the regional business in Guigang, Guangxi
Mr. Zhou Min (周敏)	55	March 26, 2019	March 26, 2019	Chairman and Non-executive Director	Leading our Board, ensuring the effective operation of our Board and providing management advice to our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position in our Group	Roles and responsibilities
Mr. Li Li (李力)	54	March 26, 2019	March 26, 2019	Non-executive Director	Providing management advice to our Board
Mr. Li Haifeng (李海楓)	49	March 26, 2019	March 26, 2019	Non-executive Director	Providing management advice to our Board
Mr. Orr Ka Yeung, Kevin (柯家洋)	40	December 19, 2019	December 19, 2019	Independent non-executive Director	Supervising and providing independent advice to our Board
Mr. Wu Tak Kong (胡德光)	54	December 19, 2019	December 19, 2019	Independent non-executive Director	Supervising and providing independent advice to our Board
Dr. Du Huanzheng (杜歡政)	57	December 19, 2019	December 19, 2019	Independent non-executive Director	Supervising and providing independent advice to our Board

Members of our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position in our Group	Roles and responsibilities
Mr. Chen Zhen (陳震)	50	August 21, 2017	September 19, 2017	Vice president	Overall management of hazardous waste treatment service segment
Mr. Fung Che Wai, Anthony (馮志偉)	50	May 1, 2017	May 1, 2017	Chief financial officer and company secretary	Overall financial supervision and management and company secretarial matters of our Group

Executive Directors

Mr. Zhao Kexi (趙克喜), aged 44, was appointed as our Director on March 26, 2019 and was re-designated as our executive Director on April 9, 2019. Mr. Zhao is also our president and chief executive officer. He is primarily responsible for overall management of our Group. Since December 2016, Mr. Zhao has been serving as the chairman of the board and general manager of Qingdao BE, a company principally engaged in construction and operation of urban garbage recycling and utilization facilities.

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

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

Mr. Zhang Hailin (張海林), aged 49, was appointed as our Director on March 26, 2019 and was re-designated as our executive Director on April 9, 2019. Mr. Zhang is also our vice president and primarily responsible for the administrative management of our Group and the overall management of environmental hygiene service segment. Since July 2015, Mr. Zhang has been a director and general manager of Beijing Enterprises Environmental Investment (PRC) Co., Ltd.* (北控環境投資（中國）有限公司) (now known as BE Urban Services PRC) where he has been primarily responsible for the business development of environmental hygiene service segment and public relations.

Prior to joining our Group, from May 1997 to May 2000, Mr. Zhang worked at CITIC Group Corporation (中國中信集團有限公司), a financial services provider. From July 2000 to July 2002, he served as the administration manager of Aiqigao Technology (Beijing) Co., Ltd. (愛奇高技術（北京）有限公司), a company principally engaged in information technology publishing, market research, exposition and conference, where he was primarily responsible for administrative management. From May 2003 to March 2008, he worked at Beijing Aimasi District Cooling Technology Development Co., Ltd. (北京瑷瑪斯區域供冷技術開發有限公司), a company principally engaged in technology development. From January 2009 to July 2015, Mr. Zhang served several positions at BEWG where he last served as an executive manager and was primarily responsible for corporate management, human resources, integrated administrative management and environmental hygiene service segment.

Mr. Zhang received his bachelor's degree in industrial management engineering from North China University of Technology (北方工業大學) in the PRC in July 1991, and his master's degree in project management from Beihang University (北京航空航天大學) in the PRC in March 2006. He obtained his qualification as a senior economist in human resources management (人力資源管理高級經濟師) from Beijing Senior Professional Technical Qualification Review Committee (北京市高級專業技術資格評審委員會) in November 2007.

Mr. Huang Zhiwan (黃志萬), aged 60, was appointed as our Director on March 26, 2019 and was re-designated as our executive Director on April 9, 2019. Mr. Huang is primarily responsible for providing consultation on project production and operations and managing the regional business in Guigang, Guangxi, which is primarily conducted through Guigang Sanitation and Guigang Medical Waste. Since September 2013, Mr. Huang has been the general manager of Guigang Sanitation, a company principally engaged in environmental hygiene services, where he has been primarily responsible for its production and operation management. From July 2014 to November 2016, Mr. Huang served as the general manager of Guigang Medical Waste, a company principally engaged in medical waste treatment, where he has been primarily responsible for organizing the production and operations management. Since December 2016, Mr. Huang has been the chairman of the board of Guigang Medical Waste where he has been primarily responsible for its strategic planning and the overall operations management. Since April 2017, Mr. Huang has been a director of BE Urban Resources PRC where he has been primarily responsible for providing advice to environmental hygiene services and hazardous waste business to its board of directors.

From May 2012 to October 2015, Mr. Huang served as a vice general manager of Guigang Environmental Protection, a company principally engaged in waste incineration power generation and electricity supply, where he was primarily responsible for supervising its production technics, equipment installation and management as well as team building and training. From December 2016 to December 2017, Mr. Huang served as a director of Guigang Environmental Protection, where he was primarily responsible for providing advice to its board on relevant business.

Mr. Huang received his certificate of advanced furnace technics (高級司爐工技術證書) from the Bureau of Labor of Guigang in October 1998.

Non-executive Directors

Mr. Zhou Min (周敏), aged 55, was appointed as our Director on March 26, 2019 and was re-designated as our non-executive Director and chairman on April 9, 2019. Mr. Zhou is primarily responsible for leading our Board, ensuring the effective operation of our Board and providing management advice to our Board.

From May 2001 to May 2014, Mr. Zhou served as the executive director and chief financial officer of BE Zhongkecheng Environmental where he was primarily responsible for its financial management. Since May 2014, Mr. Zhou has been the chairman of BE Zhongkecheng Environmental where he has been primarily responsible for its overall management. From August 2008 to March 2016, Mr. Zhou served at BEWG with the last position as an executive director of BEWG and was primarily responsible for overseeing its daily operations, corporate development, administrative management, capital operations and risk control. Since March 2016, Mr. Zhou has been the chief executive officer of BEWG where he has been primarily responsible for its overall operations management. As Mr. Zhou is a non-executive Director of our Group, he is expected to provide advice to our Board instead of participating in the daily operations of our Group. Mr. Zhou will continue serving as an executive Director of BEWG, and our Directors are of the view that there is no material concern on Mr. Zhou holding the non-executive Director position in our Group.

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

Mr. Zhou is the sole shareholder of Star Colour, and is therefore deemed to be interested in the Shares held by Star Colour. Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Company will be owned as to 2.91% by Star Colour.

Mr. Li Li (李力), aged 54, was appointed as our Director on March 26, 2019 and was re-designated as our non-executive Director on April 9, 2019. Mr. Li is primarily responsible for providing management advice to our Board.

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

Mr. Li joined BEWG in October 2010. In February 2014, Mr. Li started to serve as an executive director at BEWG and became an executive president in March 2016, during which he has been primarily responsible for overseeing its daily operations and operations management. As Mr. Li is a non-executive Director of our Group, he is expected to provide advice to our Board instead of participating in the daily operations of our Group. Mr. Li will continue serving as an executive Director of BEWG, and our Directors are of the view that there is no material concern on Mr. Li holding the non-executive Director position in our Group.

Mr. Li received his bachelor's degree in mechanical engineering majoring in welding from Xi'an Jiaotong University (西安交通大學) in the PRC in July 1988 and his doctor's degree in engineering from Tsinghua University (清華大學) in the PRC in April 2018. Mr. Li obtained his certificate of senior engineer (高級工程師) from Beijing Senior Professional and Technical Positions Review Committee (北京市高級專業技術職務評審委員會) in November 2002.

Mr. Li Haifeng (李海楓), aged 49, was appointed as our Director on March 26, 2019 and was re-designated as our non-executive Director on April 9, 2019. Mr. Li is primarily responsible for providing management advice to our Board.

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

From September 2006 to July 2008, Mr. Li served as a supervisor of BE Zhongkecheng Environmental where he was primarily responsible for exploring business opportunities in the PRC. Since August 2008, Mr. Li has been an executive director and vice president of BEWG where he has been primarily responsible for coordinating overseas operations. As Mr. Li is a non-executive Director of our Group, he is expected to provide advice to our Board instead of participating in the daily operations of our Group. Mr. Li will continue serving as an executive Director of BEWG, and our Directors are of the view that there is no material concern on Mr. Li holding the non-executive Director position in our Group.

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

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

Mr. Li is the sole shareholder of Maolin, and is therefore deemed to be interested in the Shares held by Maolin. Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Company will be owned as to 1.36% by Maolin.

Independent non-executive Directors

Mr. Orr Ka Yeung, Kevin (柯家洋), aged 40, was appointed as our independent non-executive Director on December 19, 2019.

Since May 2002, Mr. Orr has been the general manager of Winner Medical (Hong Kong) Limited (穩健醫療(香港)有限公司), the Hong Kong office of Winner Medical Co., Ltd. (穩健醫療用品股份有限公司) ("**Winner Medical**", together with its subsidiaries, "**Winner Medical Group**") which is a medical and lifestyle consumables' total value chain provider, where he has been primarily responsible for overseeing its branding, marketing and operations management. Since July 2017, Mr. Orr has been the group vice president of Winner Medical Group, where he has been primarily responsible for its strategic investments and corporate affairs.

Mr. Orr is a member of All-China Youth Federation (中華全國青年聯合會), a standing member of Beijing Youth Federation (北京市青年聯合會), a vice chairman of Hong Kong United Youth Association, a vice chairman of the Hong Kong Medical & Healthcare Device Industries Association Limited, the founding advisor of Hong Kong O2O E-commerce Federation, a director of Centum Charitas Foundation, and a member of the standing committee on public engagement and partnership of The Hong Kong Council of Social Service.

Mr. Orr received his bachelor of arts from University of Victoria in Canada in October 2002, his master's degree in business administration from The Hong Kong Polytechnic University in November 2010, and his master's degree in public health from The Chinese University of Hong Kong in November 2015. Mr. Orr received the gold award of the 54th World Exhibition of Innovation, Research and New Technology in 2005 (also known as Brussels Eureka 2005).

Mr. Wu Tak Kong (胡德光), aged 54, was appointed as our independent non-executive Director on December 19, 2019.

From May 1987 to September 1989, Mr. Wu served as an auditor and associate senior auditor at various accounting firms where he was primarily responsible for audit work. From April 1992 to June 1994, he served as an accountant and a company director of Choice Cher Limited (銓興國際有限公司), a company principally engaged in import and export business, where he was primarily responsible for general accounting and administrative matters. From September 1994 to April 1997, he served as an accountant of Fordley & Lee Co* (福萊洋行), a clothing retail chain trading company where he was primarily responsible for cash and inventory management, supervision of accounting staff and preparation of financial statements. From May 1998 to July 2009, he served as an accounting manager of Kao Chemical (Hong Kong) Limited (花王化學(香港)有限公司), a company principally engaged in the trading and manufacturing of polyurethane chemical products where he was primarily responsible for the management of the accounting departments in Hong Kong office and the factory in the PRC. From December 2009 to March 2010, he served as a finance manager of Mobicool International Limited (美固國際有限公司), a company principally engaged in the manufacturing and sales of refrigerators, where he was primarily responsible for financial management. From April 2011 to July

2016, he served as an audit manager of Keith Lam & Co. (林樂麒會計師事務所), an accounting firm where he was primarily responsible for providing audit services to corporate clients. From September 2016 to September 2017, he served as the compliance officer of Yuzhou Financial Holdings Limited* (禹洲金融控股有限公司), a company principally engaged in finance, investments, funds, trade and asset management, where he was primarily responsible for supervising the internal compliance matters. Since September 2011, he has been the chief executive officer of Profassess Corporate Consultants Limited (衡潤企業顧問有限公司), a consultancy firm where he has been primarily responsible for overseeing the financial and compliance professional services. Since June 2017, he has been a director of Leading Champway CPA Limited (領創會計師事務所有限公司), an accounting firm where he has been primarily responsible for providing auditing and other services to corporate clients. Since November 2017, Mr. Wu has been serving as a non-executive director of Kong Sun Holdings Limited (江山控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 295) and an independent non-executive director of Ta Yang Group Holdings Limited (大洋集團控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1991), respectively.

Mr. Wu was admitted as a member of the Association of Chartered Certified Accountants in October 2002. He has been a member of the Hong Kong Institute of Certified Public Accountants since March 2003 and a fellow member of the Association of Chartered Certified Accountants in October 2007. Mr. Wu was admitted as a member of the Hong Kong Securities and Investment Institute in July 2016.

Mr. Wu received his master's degree in business administration from The Hong Kong Polytechnic University with credit in October 2008.

Dr. Du Huanzheng (杜歡政), aged 57, was appointed as our independent non-executive Director on December 19, 2019.

From 1984 to August 2013, Dr. Du successively served as a lecturer, associate professor and professor presenting economics, circular economy and statistics related at Jiaxing College (嘉興學院) and became its vice president in April 2003. Since July 2014, Dr. Du has been serving as a professor at Tongji University (同濟大學) where he was primarily responsible for circular economy related teaching and research work. Since March 2018, Dr. Du has been a doctoral supervisor and professor of United Nations Environment Program – Tongji Institute of Environment for Sustainable Development (聯合國環境署－同濟大學環境與可持續發展學院) at Tongji University, where he has been primarily responsible for circular economy related courses teaching and research work. Dr. Du is also a director of Circular Economy Research Institute (循環經濟研究所) at Tongji University.

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

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

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules or any other matters concerning any Director that needs to be brought to the attention of the Shareholders as at the Latest Practicable Date. Save as disclosed above, none of our Directors has been a director of any other listed companies during the three years immediately preceding the date of this Prospectus.

SENIOR MANAGEMENT

Mr. Chen Zhen (陳震), aged 50, has been our vice president since September 2017 and has been primarily responsible for the overall management of hazardous waste treatment service segment of our Group.

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

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

Mr. Fung Che Wai, Anthony (馮志偉), aged 50, has been the chief financial officer of our Group since May 2017, where he is primarily responsible for the supervision and management of finance of our Group.

Prior to joining our Group, from August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a licensed casino listed on the Main Board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to July 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司) (now known as Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司)), a property developer listed on the Main Board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. From July 2014 to April 2017, Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司), a solar power plants investor and operator listed on the Main Board of the Stock Exchange (stock code: 295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From September 2014 to April 2017, Mr. Fung served as an independent supervisor of Chery Huiyin Motor Finance Service Co., Ltd.* (奇瑞徽銀汽車金融股份有限公司), an automobile finance joint venture, where he was primarily responsible for monitoring the company's operations as a member of the board of supervisors. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider listed on the growth enterprise market of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since July 2017, Mr. Fung has been an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller listed on the Main Board of the Stock Exchange (stock code: 1695), where he has been primarily responsible for supervising and providing independent advice to the board. Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants in October 2001 and September 2005, respectively.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University in October 1992.

Saved as disclosed above, none of our senior management members has been a director of any other listed companies during the three years immediately preceding the date of this Prospectus.

Save as disclosed above, none of our Directors and senior management is personally related to any of our Directors, senior management, substantial shareholders or controlling shareholders.

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony (馮志偉), aged 50, was appointed as our company secretary on March 26, 2019. For details of his background, see the paragraph headed "— Senior Management" in this section.

BOARD COMMITTEES

Audit committee

Our Company established the audit committee on December 19, 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members, namely Mr. Orr Ka Yeung, Kevin, Mr. Wu Tak Kong and Dr. Du Huanzheng. Mr. Wu Tak Kong has been appointed as the chairman of the audit committee, and is our independent non-executive Director with the appropriate professional qualifications. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting system, risk management and internal control systems of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration committee

Our Company established the remuneration committee on December 19, 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code as set out in Appendix 14 to the Listing Rules. The remuneration committee has three members, namely Mr. Zhao Kexi, Dr. Du Huanzheng and Mr. Wu Tak Kong. Dr. Du Huanzheng has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company established the nomination committee on December 19, 2019 with written terms of reference in compliance with paragraph A.5 of the CG Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of three members, namely Mr. Zhou Min, Mr. Orr Ka Yeung, Kevin and Mr. Wu Tak Kong. Mr. Zhou Min has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are to review the structure, size and composition of our Board and to make recommendations to our Board on the appointment or re-appointment of members of our Board and succession planning for members of our Board.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standards of corporate governance, we have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises nine members, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge, skills, perspectives and experience, including overall management, administrative management, production and operation management, business, strategic planning and development, investment, marketing, accounting and consulting. They obtained professional and academic qualifications including business administration, industrial management engineering, project management, accounting, law, public health and economy. Furthermore, members of our Board cover age group from 40 years old to 60 years old and hence could offer different perspectives through their experience and outlook. Taking into account our existing business model, our Board satisfies our board diversity policy, and our Board and the nomination committee of our Company will assess our Board composition regularly.

Upon Listing, our nomination committee is responsible for ensuring the diversity of our Board. After the Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives on an annual basis.

In recognition of the particular importance of gender diversity, our nomination committee will use its best efforts to identify and recommend suitable female candidates within three years from the Listing, to our Board for its consideration and our Company will use its best efforts to appoint at least one female director to our Board by the end of 2022, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a reasonable review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interest of our Company and our Shareholders as a whole when deliberating on the appointment. To develop a pipeline of potential successors to our Board that could ensure gender diversity of our Board going forward, our Company will (i) consider the possibility of nominating female senior management who has the necessary skills and experience to our Board; (ii) ensure that there is gender diversity when recruiting staff at mid to senior level; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or directorship of our Company.

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the CG Code. Our Company is committed to the view that our Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions. The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) paid to our Directors for each of the three years ended December 31, 2018 and the six months ended June 30, 2019 was nil, nil, nil and HK$0.5 million, respectively.

The aggregate amount of salaries, performance related bonuses, pension scheme contributions, allowances and other benefits in kind paid to our five highest paid individuals in respect of each of the three years ended December 31, 2018 and the six months ended June 30, 2019 was approximately HK$3.8 million, HK$3.7 million, HK$6.6 million and HK$1.4 million, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of each of the three years ended December 31, 2018 and the six months ended June 30, 2019. Further, none of our Directors had waived or agreed to waive any remuneration during the same periods.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) of our Directors for the year ending December 31, 2019 is estimated to be no more than HK$6.0 million.

Save as disclosed in this section, no other amounts have been paid or are payable by any member of our Group to our Directors for each of the three years ended December 31, 2018 and the six months ended June 30, 2019.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the remuneration committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

COMPLIANCE ADVISOR

Our Company has appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the distribution of its financial results for the first full financial year commencing after the Listing Date.

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held immediately prior to the Global Offering[1]		Shares held immediately following the completion of the Global Offering[1]	
		Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
BEWG	Beneficial ownership	945,000,000 (L)	35.00%	945,000,000 (L)	26.25%
Beijing Enterprises Environmental Construction Limited[2]	Interest of a controlled corporation	945,000,000 (L)	35.00%	945,000,000 (L)	26.25%
BEHL[3]	Interest of a controlled corporation	945,000,000 (L)	35.00%	945,000,000 (L)	26.25%
Beijing Enterprises Group (BVI) Company Limited[4]	Interest of a controlled corporation	945,000,000 (L)	35.00%	945,000,000 (L)	26.25%
Beijing Enterprises Group Company Limited[5]	Interest of a controlled corporation	945,000,000 (L)	35.00%	945,000,000 (L)	26.25%
Genius Link	Beneficial ownership	891,000,000 (L)	33.00%	891,000,000 (L)	24.75%
Genius Link Utilities GP Limited[6]	Interest of a controlled corporation	891,000,000 (L)	33.00%	891,000,000 (L)	24.75%
Brilliant Champ Investments Limited[7]	Interest of a controlled corporation	891,000,000 (L)	33.00%	891,000,000 (L)	24.75%
Mr. Chang Tat Joel[8]	Interest of a controlled corporation	891,000,000 (L)	33.00%	891,000,000 (L)	24.75%

Notes:

1. The letter "L" denotes the person's long position in our Shares.

2. BEWG is owned as to approximately 41.17% by Beijing Enterprises Environmental Construction Limited. By virtue of the SFO, Beijing Enterprises Environmental Construction Limited is deemed to be interested in the Shares held by BEWG.

3. Beijing Enterprises Environmental Construction Limited is beneficially and wholly-owned by BEHL. By virtue of the SFO, BEHL is deemed to be interested in the Shares held by Beijing Enterprises Environmental Construction Limited.

4. BEHL is directly owned as to approximately 41.06% by Beijing Enterprises Group (BVI) Company Limited. By virtue of the SFO, Beijing Enterprises Group (BVI) Company Limited is deemed to be interested in the Shares held by BEHL.

5. Beijing Enterprises Group (BVI) Company Limited is beneficially and wholly-owned by Beijing Enterprises Group Company Limited. By virtue of the SFO, Beijing Enterprises Group Company Limited is deemed to be interested in the Shares held by Beijing Enterprises Group (BVI) Company Limited.

6. Genius Link is managed by Genius Link Utilities GP Limited. By virtue of the SFO, Genius Link Utilities GP Limited is deemed to be interested in the Shares held by Genius Link.

7. Genius Link Utilities GP Limited is beneficially and wholly-owned by Brilliant Champ Investments Limited. By virtue of the SFO, Brilliant Champ Investments Limited is deemed to be interested in the Shares held by Genius Link Utilities GP Limited.

8. Brilliant Champ Investments Limited is beneficially and wholly-owned by Mr. Chang Tat Joel. By virtue of the SFO, Mr. Chang Tat Joel is deemed to be interested in the Shares held by Brilliant Champ Investments Limited.

If the Over-allotment Option is fully exercised, the beneficial interests of each of BEWG and Genius Link will be reduced to approximately 25.30% and 23.86% respectively.

Except as disclosed in this Prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OVERVIEW

Prior to the capital increase in Mind Light in December 2016, Mind Light was an indirect wholly-owned subsidiary of BEWG. As a result of the Pre-IPO Investments and capital increase, BEWG's interest in Mind Light and in turn in our Company was diluted down to 35%. A number of the companies comprising our Group was acquired from BEWG. Immediately prior to the Global Offering, BEWG and Genius Link directly holds 35.00% and 33.00% of our issued share capital, respectively.

Immediately following the completion of the Global Offering (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option), BEWG and Genius Link (together, the "**Substantial Shareholders**") will directly hold 26.25% and 24.75% of our then total issued share capital, respectively. Accordingly, none of them will be our controlling shareholder as defined under the Listing Rules upon the Listing.

BEWG is primarily engaged in water services and environmental protection businesses, with urban water services and water environment comprehensive renovation as its two core businesses. However, BEWG and its close associates (excluding our Group) are engaged in certain environmental hygiene services, hazardous waste treatment services and waste electrical and electronic equipment treatment business that are similar to our business (the "**Similar Businesses**"). The following table sets forth a summary of the Similar Businesses:

No.	Company name	Relationship with BEWG	Similar business
1	Guangxi Pingnan Beijing Enterprises Water Sanitation Services Limited (廣西平南縣北控水務環衛服務有限公司) ("**Guangxi Pingnan BE**")	A subsidiary of BE Water Guangxi which is indirectly wholly-owned by BEWG	Engaged in household garbage cleaning, collection, and transportation in Pingnan, Guangxi Zhuang autonomous region, the operation of which is temporary *(Note)* and does not overlap with the geographical locations covered by our Group.

Note: Pursuant to the operation agreement with Pingnan local government dated August 18, 2015 and its supplemental agreements, Guangxi Pingnan BE has been entrusted to operate the garbage transportation stations in Pingnan, Guangxi Zhuang autonomous region until the completion of the tendering and bidding to be held by Pingnan local government.

No.	Company name	Relationship with BEWG	Similar business
2	Hunan BE Well-Point	Indirectly owned as to 40.0% by BEWG	Engaged in a number of businesses, including household garbage landfill business and environmental hygiene services. Hunan BE Well-Point obtained an environmental hygiene services project in Longshan County, Hunan in February 2019 and operated certain landfill facilities in Hunan province, the coverage of which does not overlap with the geographical locations covered by our Group. According to the 2018 annual report of Hunan BE Well-Point, a majority of its revenue was generated from household garbage landfill business and the construction landfill facilities, which is not in line with our business strategies.
3	Kunming Wuhua Beijing Enterprises Environmental Industry Limited (昆明五華北控環境產業發展有限公司) ("**Kunming Wuhua BE**")	Indirectly owned as to approximately 70.0% by BEWG	Engaged in environmental hygiene services. As of the Latest Practicable Date, it had one project, the service scope of which is restricted to Wuhua, Yunnan province. The geographical location of this project does not overlap with the geographical locations covered by our Group.

No.	Company name	Relationship with BEWG	Similar business
4	Gansu Huayi	Indirectly wholly-owned by BEWG	Engaged in waste electrical and electronic equipment treatment business. The waste electrical and electronic equipment treatment services will not be the focus of our business in the future. See "History, Reorganization and Corporate Structure — Reorganization" for further details.
5	Guigang Environmental Protection	Indirectly wholly-owned by BEWG	As of the Latest Practicable Date, it had not carried out any domestic waste treatment business. Guigang Environmental Protection entered into a Framework O&M Agreement with Guigang Sanitation, our wholly-owned subsidiary. See "Connected Transactions" for further details.

Taking into account (i) the nature of the environmental hygiene and hazardous waste treatment businesses where the operation is usually restricted to a certain local area at which the project company is established; and (ii) the geographical locations of the Similar Businesses operated by BEWG and its close associates do not overlap with our geographical presence, our Directors are of the view that neither BEWG nor its close associates have any interest in any business, that competes or is likely to compete, directly or indirectly, with the business carried out by our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

To avoid any potential competition going forward, BEWG has undertaken, subject to compliance with the Listing Rules, to transfer its respective equity interests in Guangxi Pingnan BE and Kunming Wuhua BE to our Group once (i) Guangxi Pingnan BE wins the bidding to be held by Pingnan local government; and (ii) Wuhua local government approves the transfer of equity interests from BEWG to our Group. The consideration to be paid by our Group for acquiring the equity interests in Guangxi Pingnan BE and Kunming Wuhua BE from BEWG will be determined after arm's length negotiation with reference to a valuation to be conducted by an Independent Third Party valuer at the time of transfer. BEWG confirms that it has no current intention to carry on any other environmental hygiene services, hazardous waste treatment services or waste electrical and electronic equipment treatment business that are similar to our business. We have adopted certain measures which we believe could maintain a fair competition between both BEWG and our Group in the event that BEWG intends to pursue any business opportunity which may overlap with our business in the future and such measures include (a) the overlapping Directors between our Company and BEWG are required to abstain from voting on any resolution passed in relation to such business opportunity in accordance with our Articles of Association; and (b) our independent non-executive Directors shall take the lead in evaluating the performance of our Group, including but not limited to the effectiveness of the measures in maintaining a fair competition between BEWG and our Group on an annual basis.

Genius Link is an exempted partnership registered in the Cayman Islands with Mr. Chang Tat Joel as its limited partner and is managed by Genius Link Utilities GP Limited. It is a direct investment under Brilliant Champ Investments Limited, which is ultimately wholly-owned by Mr. Chang Tat Joel. During the Track Record Period and as of the Latest Practicable Date, Genius Link did not participate in or had any interest in any business which competes or is likely to compete, directly or indirectly, with our business.

INDEPENDENCE FROM OUR SUBSTANTIAL SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Substantial Shareholders and their respective close associates (other than members of our Group) after Listing for the following reasons:

Management Independence

Our Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

Upon Listing, our Group and BEWG will have board of directors that function independently of each other. The following table sets out summary of the positions and roles held by our Directors and members of our senior management team in our Company and BEWG upon Listing:

No.	Name	Position in our Company	Position in BEWG
1	Mr. Zhao Kexi (趙克喜)	Executive Director, chief executive officer and president	None
2	Mr. Zhang Hailin (張海林)	Executive Director and vice president	None
3	Mr. Huang Zhiwan (黃志萬)	Executive Director	None

No.	Name	Position in our Company	Position in BEWG
4	Mr. Zhou Min (周敏)	Chairman and non-executive Director	Executive director and chief executive officer
5	Mr. Li Li (李力)	Non-executive Director	Executive director and executive president
6	Mr. Li Haifeng (李海楓)	Non-executive Director	Executive director and vice president
7	Mr. Orr Ka Yeung, Kevin (柯家洋)	Independent non-executive Director	None
8	Mr. Wu Tak Kong (胡德光)	Independent non-executive Director	None
9	Dr. Du Huanzheng (杜歡政)	Independent non-executive Director	None
10	Mr. Chen Zhen (陳震)	Vice president	None
11	Mr. Fung Che Wai, Anthony (馮志偉)	Chief financial officer and company secretary	None

Other than Mr. Zhou Min, Mr. Li Li and Mr. Li Haifeng, there are no overlapping directorships between the boards of BEWG and our Company. Upon Listing, Mr. Zhou Min, Mr. Li Li and Mr. Li Haifeng will not have any executive role in our Group.

Further, our Directors consider that our Group will be able to operate independently of BEWG upon listing because:

(i) although Mr. Zhou Min, Mr. Li Li and Mr. Li Haifeng, being executive directors of BEWG, will also hold directorship in our Company, they will not be involved in the day-to-day operations of our Group, and will not have any executive roles in our Group;

(ii) the management and day-to-day operations of our Group are managed by Mr. Zhao Kexi, Mr. Zhang Hailin and Mr. Huang Zhiwan, being the executive Directors of our Company, all of whom will not hold any directorship or senior management position in BEWG and its subsidiaries upon Listing;

(iii) all of the three independent non-executive Directors do not, and will not, have any ongoing role with BEWG and accordingly, the independent non-executive Directors can exercise independent judgment free from any conflict of interest; and

(iv) all the members of the senior management of our Group are our full-time employees and have assumed senior management responsibilities for our Group's business. Their management and supervisory functions have ensured and will ensure that our Group's management and daily operations are independent of BEWG.

Our Directors are satisfied that our Directors and members of the senior management are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Substantial Shareholders for the following reasons:

(a) each Director is aware of his fiduciary duties as a Director of our Company which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions;

(c) our Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of our Board; it provides a balance between the number of interested and independent non-executive Directors with a view to promoting the interests of our Company and our Shareholders as a whole. This is in line with the Listing Rules; and

(d) save as disclosed herein, our daily operations will be managed by our executive Directors and senior management team, none of whom holds any senior managerial position or directorship position within the Substantial Shareholders.

Operational Independence

We have established our own organizational structure comprising various departments with independent functions and a set of internal control procedures to facilitate the effective operation of our business. We have full rights to make all decisions regarding our business operations independently and have established an independent management team to handle our daily operation.

Our customers are primarily local PRC governments or their designees and industrial companies, which are unrelated to our Substantial Shareholders and/or their respective close associates. We do not rely on our Substantial Shareholders or their respective close associates for our business development, staffing or marketing. In respect of one environmental hygiene services project, BE Water Investment, a wholly-owned subsidiary of BEWG, provided performance guarantee as required by the local government, and in return, we provided a back-to-back guarantee to BE Water Investment pursuant to which we are required to repay BE Water Investment the same payable amount by BE Water Investment to the local government in respect of that project. Our Directors are of the view that given the size of the guarantee in the amount of approximately RMB5.2 million, such guarantee provided by BE Water Investment does not constitute a reliance on our Substantial Shareholder and would not have any material adverse effect on our operations or financial conditions.

As of the Latest Practicable Date, save as disclosed in "Business — Licenses and Permits" in this Prospectus, we have obtained the relevant licenses and permits material to our business operations from the relevant governmental authorities in China as advised by our PRC Legal Advisors. Save for the office premise we leased from BE Water Investment and certain transactions as disclosed in "Connected Transactions" in this Prospectus, all the properties and facilities necessary to our business operations are independent from our Substantial Shareholders and their respective close associates. We generally recruit our full time employees independently through on-campus recruitment programs, recruiting firms, internal referrals and advertisement on the Internet.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Substantial Shareholders and our Group is able to operate independently from our Substantial Shareholders.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company. The finance department is independent of our Substantial Shareholders. We can make financial decisions independently and our Substantial Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Substantial Shareholders or their respective close associates.

All loans, advances or balances due to and from our Substantial Shareholders and their respective close associates are expected to be fully settled before Listing. All share pledges and guarantees provided by BEWG and their respective close associates on our Group's borrowing will be fully released upon Listing.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Substantial Shareholders and their respective associates.

CORPORATE GOVERNANCE MEASURES

Each of our Substantial Shareholders has confirmed that he/it fully comprehends his/its obligations to act as our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) where a shareholders' meeting is to be held for considering proposed transactions in which our Substantial Shareholders or any of its close associates has a material interest, our Substantial Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for the Global Offering, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his close associates has a material interest nor shall such Director be counted in the quorum for the voting;

(c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself from the board meetings on matters in which such Director or his close associates have a material interest, unless the attendance or participation of such Director at such meeting of our Board is specifically requested by a majority of the independent non-executive Directors;

(d) we are committed that our Board should include a balanced composition of executive, non-executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management — Board of Directors — Independent non-executive Directors" in this Prospectus; and

(e) we have appointed Somerley Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option):

		Nominal value
		(HK$)
Authorized share capital:		
30,000,000,000	Shares of HK$0.10 each	3,000,000,000
Issued and to be issued, fully paid or credited as fully paid:		
2,700,000,000	Shares in issue as of the date of this Prospectus	270,000,000
900,000,000	Shares to be issued under the Global Offering	90,000,000
3,600,000,000	**Total**	360,000,000

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the issue of Shares pursuant to the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this Prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

(1) 20% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); and

(2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate to issue Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and general information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on December 19, 2019" in Appendix IV to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange or any other Stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and general information — A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this Prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(i) the conclusion of our Company's next annual general meeting; or

(ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "Statutory and general Information — A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company passed on December 19, 2019" in Appendix IV to this Prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing special resolution. For further details, see the paragraph headed "(iii) Alteration of capital" under the section headed "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix III to this Prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, see the paragraph headed "(ii) Variation of rights of existing shares or classes of shares" under the section headed "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix III to this Prospectus.

The following discussion and analysis of our business, financial condition and results of operations is based on and should be read in conjunction with the financial statements of our Company as of and for each of the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019 in Appendix IA, the financial statements of Qingdao BE and its subsidiaries as of and for the period ended December 23, 2016 in Appendix IB, and the financial statements of BE Urban Services BVI and its subsidiaries as of and for the year ended December 31, 2016 and as of and for the period ended April 28, 2017 in Appendix IC, in each case including the notes thereto.

This discussion contains forward-looking statements that involve risks and uncertainties. We caution you that our business and financial performance are subject to substantial risks and uncertainties including, but not limited to, those factors included in the section headed "Risk Factors" in this Prospectus. Our future results could differ materially from those projected in the forward-looking statements.

OVERVIEW

We are an integrated waste management solution provider in China, currently focusing on providing environmental hygiene services and hazardous waste treatment services. The markets for both services are highly fragmented in China. The environmental hygiene services market comprises two sectors based on the type of service provider, namely the government agency sector, where the service providers are local government agencies, and the enterprise sector, where the service providers consist of enterprises (whether state-owned or non-state owned). In 2018, the market size of the enterprise sector amounted to approximately RMB101.1 billion, representing approximately 38.6% of the total environmental hygiene services market. We are the fourth largest provider in the enterprise sector of the environmental hygiene services market in China in terms of 2018 revenue, with a market share of 1.6% of the enterprise sector and 0.6% overall, according to the F&S Report. Our environmental hygiene services have been expanding rapidly during the Track Record Period. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, we had 1, 71, 106 and 112 revenue-generating environmental hygiene service projects, respectively. For our hazardous waste treatment business, the total designed treatment capacity for waste disposal of our projects in operation (including projects in operation and in trial operation) amounted to 253,050 tons per annum in 2018, ranking sixth in China with a market share of 0.7%, according to the F&S Report.

During the Track Record Period, our revenue from continuing operations increased from HK$24.6 million in 2016 to HK$912.4 million in 2017, and further increased to HK$2,211.8 million in 2018. Our revenue from continuing operations increased from HK$947.6 million for the six months ended June 30, 2018 to HK$1,475.3 million for the six months ended June 30, 2019. Our net profit from continuing operations increased from HK$19.2 million in 2016 to HK$64.9 million in 2017, and further increased to HK$213.9 million in 2018. Our net profit from continuing operations increased from HK$78.2 million for the six months ended June 30, 2018 to HK$154.3 million for the six months ended June 30, 2019.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Development of the environmental hygiene service industry and hazardous waste treatment industry in China

Our results of operations are affected by the development of environmental hygiene service industry and hazardous waste treatment industry in China. Such development has been driven by various factors, including, among others, rapid population growth and urbanization, industrial development in China, macroeconomic policies of the PRC central and local governments, regulatory requirements and increasing focus of the PRC central and local governments on environment protection.

The results of operations of our environmental hygiene services also arise from the increasing participation by enterprises in providing such services, which has been encouraged by the PRC government in recent years. We expect to continue to capitalize on our experience, capabilities and reputation gained through our operation of existing environmental hygiene projects and win new projects from local government agencies. We will continue to seek business expansion in regional markets with favorable economic conditions, growing urbanization and increasing standards of living.

Changes in government policies and regulations relating to the hazardous waste treatment industry

In the hazardous waste treatment industry, regulatory standards play a critical role in influencing the demand for our services. Our operations are sensitive to changes in the PRC government's laws and regulations relating to the hazardous waste treatment industry, or changes in the implementation of such laws and regulations. Any changes in legislative, regulatory or industrial requirements have an impact on our hazardous waste treatment business.

In recent years, the PRC government has been increasingly focused on environmental protection. With increasingly stringent environmental regulations imposed by the PRC government, a number of regions in China face shortages in hazardous waste treatment facilities, which in turn could increase the demand for our services. The PRC government has been setting stricter environmental regulatory requirements. With our proven track record of compliance with environmental and safety laws in all material respects, we believe we are well positioned to capitalize on the increasingly stringent environmental protection policies in China to grow our hazardous waste treatment business.

Acquisitions

During the Track Record Period, our acquisitions have significantly affected our results of operations. During 2016 and 2017, we acquired (i) BE Urban Services PRC and its then subsidiaries, which operate environmental hygiene services; (ii) Chongqing Binnan and its then subsidiaries, which operate environmental hygiene services; (iii) Shandong Pingfu, which operates hazardous waste treatment business; (iv) Jiangxi Mineral, which operates other business; and (v) Shaanxi BE Recycling, which operates other business. In 2018, we acquired Ningxia Ruiyuan, which operates hazardous waste treatment business. As a result, our revenue from continuing operations increased from HK$24.6 million in 2016 to HK$912.4 million in 2017, and further increased to HK$2,211.8 million in 2018. Our net profit from continuing operations increased from HK$19.2 million in 2016 to HK$64.9 million in 2017, and further increased to HK$213.9 million in 2018. We expect to continue to complement our growth through acquisitions.

Impact of the accounting treatment for service concession arrangements

The accounting treatment of service concession arrangements varies with the type of project, involves judgment, and affects the presentation of our results of operation.

We have entered into seven operating concession arrangements with certain governmental authorities in Mainland China, as the grantors, three of which are on a BTO basis, one of which is on a ROT basis and three of which are on a TOT basis in respect of its environmental hygiene services for a period of 15 to 25 years under HK(IFRIC)-Int 12 Service Concession Arrangements.

For BTO projects, the considerations for construction service and operation service to be provided by our Group are stipulated separately in the respective concession agreements. We recognize revenue from construction service based on (i) the consideration as stipulated in the respective concession agreements; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. The construction revenue will be settled by the grantor based on an agreed repayment schedule and the unsettled construction revenue is included in "contract assets" on our statement of financial position. In the operation phase of the project, we collect the service fee based on the consideration as stipulated in the respective concession agreements and recognize as operation revenue when the related services are rendered.

For ROT project, the considerations for construction service and operation service to be provided by our Group are not stipulated separately in the respective concession agreement. We recognize revenue from construction service based on (i) the estimated fair value of our construction services; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. We treat construction revenue as an intangible asset, which is recorded as "intangible asset" on our statement of financial position because the revenue stream is not guaranteed. The intangible asset (concession right) is stated at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided on a straight-line basis over the operation phase of the concession periods.

The estimated fair value of our construction services, which is recognized over the construction phase of a project as construction service revenue, is based on the valuation prepared by an independent third party valuer and is derived from the construction costs estimated by us at the time of valuation plus their respective mark-up, which is determined by the valuer with reference to publicly available information regarding the operating margins of selected comparable companies that provide construction services to similar projects in the PRC.

In the operation phase of the project, we collect the service fee based on the pre-determined rate as stipulated in the respective concession agreement and recognize as operation revenue when the related services are rendered.

For TOT projects, the consideration we pay to the grantor to obtain the right to operate the service concession is recorded as intangible assets, in the case of concessions without a guaranteed revenue stream. The intangible asset (concession right) is stated at cost less accumulated amortization and any accumulated impairment loss. Amortization is provided on a straight-line basis over the operation phase of the concession periods.

We have entered into one operating concession arrangement with a governmental authority in the PRC, as the grantor, on a BOO basis in respect of its hazardous waste treatment services under HKAS 16 *Property, Plant and Equipment.*

For BOO project, our Group completes the project construction in accordance with the BOO agreement and the laws and regulations of the relevant municipal authority. We capitalize the construction costs as property, plant and equipment which is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimate useful life of the related items of property, plant and equipment. In operation phase of the project, we recognize the operation revenue when the related services are rendered.

Prior to entering the service concession, we will assess the reasonableness of considerations payable for the operating concessions by performing the cash flow forecast and discounted cash flow analysis as well as calculating internal rate of return in relation to the relevant projects.

We received payments from customers in the business operation stage of each project, typically for 15 to 30 years. Through the payment received from the grantors, we recoup construction costs and consideration paid, cover our operational costs and earn profits.

As a result of this business model, we incur significant cash outflows in the early years of a project, and are exposed to operational risk and the credit risk of our customers (i.e. grantors) until the end of the service period as stipulated in the contract. Accordingly, the initial cash outflow for each project will exceed cash inflow resulting from the mismatch between cash spent for the acquisition of the project and cash generated during the operation phase.

The following table sets forth our number of projects, revenue and gross profit recognized under operating concession arrangements for the years or periods indicated:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
Number of projects				
a. Environmental hygiene services				
• *Within the scope of IFRIC 12*				
– BTO	–	2	2	3
– TOT (Note 1)	2	3	3	3
• *Outside the scope of IFRIC 12*				
– O&M	1	67	101	106
Total (Note 1)	3	72	106	112
b. Hazardous waste treatment				
Under service concession arrangements				
• *Within the scope of IFRIC 12*				
– ROT (Note 2)	–	–	1	1
• *Outside the scope of IFRIC 12*				
– BOO	1	1	1	1
– O&M	–	1	2	1
Self-owned and operated	–	1	6 (Note 3)	3 (Note 4)
Total (Note 2)	1	3	10	6

Notes:

1. Included two and one projects did not generate revenue in 2016 and 2017, respectively.

2. Included one and one project did not commence operation in 2018 and 2019, respectively.

3. Included Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目), Jiaxing Waste Disposal Project (嘉興廢物處理項目) and Beijing Yingtaike Environmental Construction Technology Co., Ltd., which were acquired in late December 2018 and recorded no revenue in 2018.

4. Excluded Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目) and Jiaxing Waste Disposal Project (嘉興廢物處理項目) terminated in May 2019 and Beijing Yingtaike Environmental Construction Technology Co., Ltd. disposed of in June 2019.

	Years ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
Revenue					
Environmental hygiene services					
Within the scope of IFRIC 12					
Construction	–	47,274	3,358	1,827	–
Operation	–	56,057	54,524	26,997	52,434
Outside the scope of IFRIC 12	18,512	558,850	1,555,543	700,075	1,042,415
Sub-total	18,512	662,181	1,613,425	728,899	1,094,849
Hazardous waste treatment services					
Within the scope of IFRIC 12					
Operation	6,128	5,483	8,274	4,318	4,076
Outside the scope of IFRIC 12	–	138,530	413,935	128,374	273,137
Sub-total	6,128	144,013	422,209	132,692	277,213
Gross profit					
Environmental hygiene services					
Within the scope of IFRIC 12					
Construction	–	5,319	(426)	(553)	–
Operation	–	24,173	20,910	10,216	17,483
Outside the scope of IFRIC 12	6,720	118,634	325,925	159,484	219,642
Sub-total	6,720	148,126	346,409	169,147	237,125
Hazardous waste treatment services					
Within the scope of IFRIC 12					
Operation	2,294	2,693	2,954	1,773	1,752
Outside the scope of IFRIC 12	–	74,842	228,833	69,954	120,171
Total	2,294	77,535	228,833	71,727	121,923

The following roll forward table sets forth the movement of the balances during the Track Record Period.

	Intangible assets	Contract assets
	HK$'000	*HK$'000*
At 1 January 2016	–	–
Additions	–	–
Depreciation	–	–
Exchange realignment	–	–
At December 31, 2016	–	–
Acquisition of subsidiaries	68,380	–
Additions	–	47,424
Amortization/depreciation	(3,456)	–
Exchange realignment	3,883	1,683
At December 31, 2017	68,807	49,107
Acquisition of a subsidiary	–	25,405
Additions	–	1,755
Amortization/depreciation	(5,312)	–
Exchange realignment	(2,973)	(2,321)
At December 31, 2018	60,522	73,946
Additions*	67,767	–
Amortization/depreciation	(2,594)	–
Transfer out**	–	(26,135)
Exchange realignment	(195)	(154)
At June 30, 2019	125,500	47,657

Notes:

* Additions to intangible assets associated with operating concessions represent consideration paid for acquiring TOT projects.

** A contract asset was transferred to long term trade receivables upon the completion of the construction.

Treatment volume and utilization rate of our hazardous waste treatment facilities

The results of operations of our hazardous waste treatment service business depend on our actual treatment volume. For example, the treatment volume of hazardous waste we treated through landfill at our Shandong Industrial Solid Waste Disposal Center Project increased from 25,329 tons in 2017 to 43,118 tons in 2018, which increased the revenue we generated from this project. For the six months ended June 30, 2019, the treatment volume of hazardous waste we treated through landfill at this project amounted to 20,415 tons. The project companies we acquired also contributed to the increase of our actual treatment volume and in turn increase our revenue from the hazardous waste treatment services.

The actual treatment volume of our hazardous waste treatment facilities depends significantly on the demand for their services. Most of our hazardous waste treatment facilities have not been fully utilized. If the demand increases, we may continue to increase our actual treatment volume until it reaches the designed treatment capacity of our facilities. The demand of our customers is affected by a number of factors, including their production volumes, similar hazardous waste treatment facilities available to them and our sales and marketing efforts. The utilization rate of our landfill facilities at Shandong Industrial Solid Waste Disposal Center Project was 46.9%, 79.8% and 75.6% for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively. We will continue to develop the customer base of our hazardous waste treatment projects to further increase their actual treatment volume and utilization rate. The utilization rate of our Ganhe Industrial Park Tailings Storage and Recycling Project and Ge'ermu Industrial Waste Centralized Disposal Project was 18.3% and 6.3%, respectively, in 2018. The low utilization rate of these projects was because we commenced operations in Qinghai province only recently and were in the process of developing our customer base. We expect to continue to increase our actual treatment volume of these projects as we further expand in Qinghai province. As a result of the increasing demand from our customers, the utilization rate of our Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling Project increased significantly from 75.4% for the year ended December 31, 2018 to 146.0% for the six months ended June 30, 2019.

Fluctuation of Cost of Sales

Our cost of sales varied from project to project depending on a variety of factors, including the location of the project, the local economic development level and the availability of labor force and raw materials in the local market. Different cost of sales leads to different gross profit margin and affects our results of operations.

Wages and welfare account for a significant portion of the cost of sales of our environmental hygiene service business, which is our major business segment in terms of revenue. Therefore, our cost of sales primarily includes wages and welfare. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, wages and welfare accounted for approximately 44.2%, 47.3%, 53.6% and 51.3%, respectively, of our cost of sales. We endeavor to increase our operational efficiency so as to manage the wages and welfare we pay to our employees.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, raw materials expenses accounted for approximately 6.2%, 18.3%, 14.2% and 16.9% of our cost of sales, respectively. The raw materials we purchase primarily include (i) the waste electrical and electronic appliances we procured for recycling; (ii) the hazardous waste for recycling and reuse; and (iii) fuel used for mechanized cleaning vehicles and other consumables we procured for environmental hygiene services, such as dumpsters. The prices of such raw materials are subject to fluctuation due to a number of factors, such as the demand and supply in the local markets. Any increases in the price of our raw materials will have a material effect on our business and results of operations, to the extent that we cannot pass on some or all of such increases to our customers.

BASIS OF PRESENTATION

Pursuant to the Reorganization, as discussed in "History, Reorganization and Corporate Structure" in this Prospectus, our Company became the holding company of the companies now comprising our Group on March 26, 2019. As the Reorganization only involved inserting a new holding entity at the top of an existing group held by Mind Light and has not resulted in any change of economic substances, the historical financial information during the Track Record Period has been presented as a continuation of the existing group using merger accounting.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019 present the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at those dates.

In 2016, certain companies now comprising our Group were acquired from BEWG. Such acquisitions were regarded as business combinations under common control as Mind Light and those companies acquired were ultimately controlled by BEWG before and after the acquisition. All business combinations under common control were accounted for using merger accounting as if such acquisitions had been completed at the beginning of the Track Record Period.

The results and cash flows of the companies acquired were included from the earliest date presented or since the date when the subsidiaries first came under the common control of BEWG, where this is a shorter period. The assets and liabilities of the companies acquired were included using the existing book values from BEWG's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the such acquisitions.

Equity interests in subsidiaries held by parties other than BEWG, and changes therein, prior to the business combinations under common control are presented as non-controlling interests in equity in applying the principles of merger accounting. Thereafter, profit or loss and each component of other comprehensive income are attributed to the owners of the parent of our Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on combination.

The historical financial information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. Except for HKFRS 9 Financial Instruments, all HKFRSs effective for the accounting period commencing from January 1, 2018, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. For details of the adoption of HKFRS 9, see Note 2.3 of Accountants' Report as set out in Appendix IA to this Prospectus. The historical financial information has been prepared under the historical cost convention.

Our Group has applied HKFRS 15 and HKFRS 16 in the preparation of the historical financial information with a date of initial application of January 1, 2016. Our Group has adopted HKFRS 15 and HKFRS 16 using the full retrospective method of adoption.

Save as disclosed in Note 2.3 of Accountants' Report, the adoption of HKFRS 9 and HKFRS 15 did not have material impact on our Group's financial statements, and our Directors considered that the adoption of HKFRS 9 and HKFRS 15 did not result in significant impact on our Group's financial position and performance as compared with HKAS 18 and HKAS 39.

Adoption of HKFRS 16

Our Group has lease contracts for various items of property and motor vehicles. As a lessee, our Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to our Group. Under HKFRS 16, our Group applies a single approach to recognize and measure right-of-use assets and lease liabilities under other payables and accruals for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Our Group has elected not to recognize right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, our Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

The impacts arising from the adoption of HKFRS 16 did not result in significant impact on our Group's net assets and net profit as compared to HKAS 17 primarily because the impact on increase in right-of-use assets was offset by the increase in lease liabilities in the consolidated statements of financial position and the impact on increase in depreciation of right-of-use assets and interest on lease liabilities was offset by the decrease in lease payments in the consolidated statements of profit or loss for the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING ESTIMATES

Our significant accounting policies and significant accounting estimates, which are important for an understanding in our financial condition and results of operations, are set forth in details in Notes 2.5 and 3 to Accountants' Report in Appendix IA. The preparation of the consolidated financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of Goodwill

We determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill was HK$121.4 million, HK$200.7 million, HK$392.9 million and HK$336.3 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Further details are set out in Note 16 in Appendix IA to this Prospectus.

Impairment of Property, Plant and Equipment

We review the carrying amounts of items of property, plant and equipment for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as discussed in Note 2.5 in Appendix IA to this Prospectus. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, we make various assumptions, including future cash flows and discount rates. If future events do not correspond to such assumptions, we will need to revise the recoverable amounts, and this may have an impact on our results of operations or financial position. The carrying amount of property, plant and equipment in the consolidated statement of financial positions as of December 31, 2016, 2017 and 2018 and June 30, 2019 was HK$505.8 million, HK$1,008.1 million, HK$1,526.9 million and HK$1,491.9 million, respectively. For details, see Note 14 in Appendix IA to this Prospectus.

Impairment of non-financial assets (other than goodwill and property, plant and equipment)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, income tax recoverable, other tax recoverable, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Provision for Expected Credit Losses on Contract Assets, Trade Receivables, Environmental Decommissioning Fees Receivable and Other Receivables

The policy for provision for our expected credit losses ("**ECL**") on contract assets, trade receivables, environmental decommissioning fees receivable and other receivables is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of contract assets, trade receivables, environmental decommissioning fees receivable and other receivables other than prepayments carried as assets in the consolidated statement of financial position as of December 31, 2016, 2017 and 2018 and June 30, 2019 are set out in Notes 22, 24, 25 and 26 in Appendix IA to this Prospectus.

Service concession arrangements

We have entered into seven operating concession arrangements with certain governmental authorities in Mainland China, as the grantors, three of which are on a BTO basis, one of which is on a ROT basis and three of which are on a TOT basis in respect of its environmental hygiene services under HK(IFRIC)-Int 12 *Service Concession Arrangements*. Under these service concession arrangements:

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

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

BTO arrangements

Under these service concession arrangements, we are responsible for the financing, design, construction of the project facilities. Upon the completion of the constructions, the relevant facilities will be inspected and approved by the grantors before the operation for pre-determined considerations. The considerations for construction service and operation service to be provided by our Group are stipulated separately in the respective concession agreements.

Construction services

We recognize revenue from construction services based on (i) the consideration as stipulated in the respective concession agreements; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. The construction revenue will be settled by the grantor based on an agreed repayment schedule and the unsettled construction revenue is included in "contract assets" on our statement of financial position.

Revenue relating to the construction services is accounted for in accordance with the policy for revenue recognition set forth in the Accountants' Reports set out in Appendix IA to this Prospectus.

Operating services

Revenue relating to the provision of environmental hygiene services is accounted for in accordance with the policy for revenue recognition set forth in the Accountants' Reports set out in Appendix IA to this Prospectus.

ROT arrangement

Under this service concession arrangement, we are responsible for the financing, refurbishment, operation and maintenance an existing facility for a specific period of time. Upon the completion of the construction, the relevant facility will be inspected and approved by the grantors before the operation for pre-determined considerations. The considerations for construction service and operation service to be provided by our Group are not stipulated separately in the respective concession agreement.

Construction services

We recognize revenue from construction service based on (i) the estimated fair value of our construction services; and (ii) over time by reference to the completion rate of the specific transaction assessed on the basis of the costs incurred up to the end of the reporting period as a percentage of total estimated costs for each project. We treat construction revenue as an intangible asset, which is recorded as "intangible asset" on our statement of financial position because the revenue stream is not guaranteed.

Operating services

In the operation phase of the project, we collect the service fee based on the pre-determined rate as stipulated in the respective concession agreement and recognize as operation revenue when the related services are rendered.

TOT arrangements

Consideration paid to the grantor

An intangible asset (concession right) is recognized to the extent that we receive a right to charge users of the public service. The intangible asset (concession right) is stated at cost (i.e., consideration paid to the grantors) less accumulated amortization and any accumulated impairment loss. Amortization is provided on a straight-line basis over the operation phase of the concession periods.

Operating services

Revenue relating to the provision of environmental hygiene services is accounted for in accordance with the policy for revenue recognition set forth in the Accountants' Reports set out in Appendix IA to this Prospectus.

BOO arrangements

We have entered into one operating concession arrangement with a governmental authority in the PRC, as the grantor, on a BOO basis in respect of its hazardous waste treatment services under HKAS 16 *Property, Plant and Equipment.* We capitalize the construction costs as property, plant and equipment which is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is calculated on a straight-line basis over the estimate useful life of the related items of property, plant and equipment. In operation phase of the project, we recognize the operation revenue when the related services are rendered.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table sets forth a summary of our consolidated statement of profit or loss and other comprehensive incomes for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of HK$, except percentages)						(unaudited)			
CONTINUING OPERATIONS										
Revenue	24,640	100.0	912,380	100.0	2,211,832	100.0	947,563	100.0	1,475,283	100.0
Cost of sales	(15,626)	(63.4)	(669,582)	(73.4)	(1,588,563)	(71.8)	(683,730)	(72.2)	(1,086,866)	(73.7)
Gross Profit	9,014	36.6	242,798	26.6	623,269	28.2	263,833	27.8	388,417	26.3
Other income and gains, net	11,649	47.3	24,432	2.7	56,769	2.6	18,873	2.0	30,777	2.1
Administrative expenses	(1,062)	(4.3)	(163,509)	(17.9)	(358,550)	(16.2)	(151,488)	(16.0)	(168,632)	(11.4)
Selling and distribution expenses	–	–	(5,749)	(0.6)	(6,427)	(0.3)	(1,321)	(0.1)	(4,355)	(0.3)
Other expenses	(211)	(0.9)	(6,796)	(0.7)	(4,340)	(0.2)	(943)	(0.1)	(5,568)	(0.4)
Finance costs	(265)	(1.1)	(11,152)	(1.2)	(50,167)	(2.3)	(19,654)	(2.1)	(36,789)	(2.5)
Share of loss of an associate	–	–	(191)	(0.0)	–	–	–	–	–	–
Share of loss of a joint venture	–	–	–	–	(1,184)	(0.1)	(461)	(0.0)	(698)	(0.0)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	19,125	77.6	79,833	8.7	259,370	11.7	108,839	11.5	203,152	13.8
Income tax credit/(expense)	35	0.1	(14,956)	(1.6)	(45,472)	(2.1)	(30,611)	(3.2)	(48,806)	(3.3)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS	19,160	77.8	64,877	7.1	213,898	9.7	78,228	8.3	154,346	10.5
DISCONTINUED OPERATION										
Profit/(loss) for the year/period from a discontinued operation	(74,548)	(302.5)	(113,127)	(12.4)	258,043	11.7	258,043	27.2	–	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(55,388)	(224.8)	(48,250)	(5.3)	471,941	21.3	336,271	35.5	154,346	10.5

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
	(in thousands of HK$, except percentages)									
							(unaudited)			
Attributable to:										
Owners of the parent	(27,020)	(109.7)	(28,522)	(3.1)	430,383	19.5	329,560	34.8	120,694	8.2
Non-controlling interests	(28,368)	(115.1)	(19,728)	(2.2)	41,558	1.9	6,711	0.7	33,652	2.3
	(55,388)	(224.8)	(48,250)	(5.3)	471,941	21.3	336,271	35.5	154,346	10.5
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:										
Exchange differences										
– Translation of foreign operations	656	2.7	77,606	8.5	(93,740)	(4.2)	(3,006)	(0.3)	(5,395)	(0.4)
– Release upon disposal of a subsidiary	–	–	–	–	(4,216)	(0.2)	(4,216)	(0.4)	(38)	(0.0)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD	(54,732)	(222.1)	29,356	3.2	373,985	16.9	329,049	34.7	148,913	10.1
Attributable to:										
Owners of the parent	(23,677)	(96.1)	31,853	3.5	344,576	15.6	316,271	33.4	110,387	7.5
Non-controlling interests	(31,055)	(126.0)	(2,497)	(0.3)	29,409	1.3	12,778	1.3	38,526	2.6
	(54,732)	(222.1)	29,356	3.2	373,985	16.9	329,049	34.7	148,913	10.1

Revenue

We operate in three segments: (i) environmental hygiene service segment; (ii) hazardous waste treatment business segment; and (iii) others, which represent our waste electrical and electronic equipment treatment business. Our revenue is recognized net of business tax. The following table sets forth a breakdown of our revenue by business segment for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in thousands of HK$, except percentages)									
Environmental hygiene services										
– Environmental hygiene services	18,512	75.1	614,757	67.4	1,610,067	72.7	727,072	76.7	1,094,849	74.2
– Construction services	–	–	47,424	5.2	3,358	0.2	1,827	0.2	–	–
– *Subtotal*	18,512	75.1	662,181	72.6	1,613,425	72.9	728,899	77.0	1,094,849	74.2
Hazardous waste treatment business										
– Hazardous waste treatment services	6,128	24.9	144,013	15.8	251,274	11.4	85,065	9.0	131,483	8.9
– Sale of refined chemical and other products	–	–	–	–	170,935	7.7	47,627	5.0	145,730	9.9
– *Subtotal*	6,128	24.9	144,013	15.8	422,209	19.1	132,692	14.0	277,213	18.8
Others										
– Sale of dismantled products	–	–	54,403	6.0	88,655	4.0	42,079	4.4	51,694	3.5
– Environmental decommissioning fees income	–	–	51,783	5.7	87,543	4.0	43,893	4.6	51,527	3.5
– *Subtotal*	–	–	106,186	11.6	176,198	8.0	85,972	9.1	103,221	7.0
Total	24,640	100.0	912,380	100.0	2,211,832	100.0	947,563	100.0	1,475,283	100.0

During the Track Record Period, environmental hygiene services represented our major business segment, accounting for approximately 75.1%, 72.6%, 72.9% and 74.2% of our revenue for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. During the Track Record Period, we also derived revenue from construction services provided in connection with environmental hygiene service projects we operated under BTO model, which included Kunming City Xishan District Project and Wuchuan Urban and Rural Municipal Waste Collection and Transportation Project. Our revenue from environmental hygiene services increased significantly from HK$18.5 million in 2016 to HK$662.2 million in 2017 and further increased to HK$1,613.4 million in 2018, representing a CAGR of approximately 833.6%. Our revenue from environmental hygiene services increased from HK$728.9 million for the six months ended June 30, 2018 to HK$1,094.8 million for the six months ended June 30, 2019. The following table sets forth the total contracted area for our environmental hygiene services and the average revenue from our environmental hygiene services per m^2 for the period indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(in thousands of HK$)				
Revenue from environmental hygiene services					
– Projects in services since 2016	18,512	19,303	21,022	11,535	11,935
– Projects in services since 2017	–	642,878	1,393,816	674,020	730,739
– Projects in services since 2018	–	–	198,587	43,344	168,620
– Projects in services since 2019	–	–	–	–	183,555
Total revenue from environmental hygiene services	18,512	662,181	1,613,425	728,899	1,094,849
Less:					
Construction revenue	–	47,424	3,358	1,827	–
Revenue not based on area	18,512	48,709	127,585	64,696	139,193
Total revenue from environmental hygiene services based on area	–	566,048	1,482,482	662,376	955,656

	As of December 31,			As of June 30,	
	2016	2017	2018	2018	2019
	(in thousands of m^2)				
Contracted area					
Beginning	–	–	102,873	102,873	142,831
Addition	–	102,873	42,844	21,853	28,215
Expired	–	–	(2,886)	(2,886)	(9,779)
Ending	–	102,873	142,831	121,840	161,267
Average(1)	–	51,437	122,852	112,357	152,049
Revenue from environmental hygiene services per m^2 (in HK$)(2)	–	11.0	12.1	5.9	6.3

Notes:

(1) Calculated as the average of the contracted area at the beginning and the end of the period.

(2) Calculated as the total revenue from environmental hygiene services based on area divided by the average contracted area for the relevant period.

See "Business — Environmental Hygiene Services — Our Project Portfolio" for further details of the environmental hygiene service projects we operate.

Our revenue from hazardous waste treatment business increased significantly from HK$6.1 million in 2016 to HK$144.0 million in 2017 and further increased to HK$422.2 million in 2018, representing a CAGR of approximately 730.1%. In 2018, we extended our business to the recycling and reuse of materials from industrial waste. As a result, our revenue generated from sale of refined chemical and other products amounted to HK$170.9 million in 2018. Our revenue from hazardous waste treatment business increased from HK$132.7 million for the six months ended June 30, 2018 to HK$277.2 million for the six months ended June 30, 2019. The average unit price of our hazardous waste treatment business remained stable for the years ended December 31, 2016, 2017 and 2018. From the six months ended June 30, 2018 to the six months ended June 30, 2019, the average unit price of our hazardous waste treatment business dropped significantly, primarily because of the change in the product mix of our Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project. The sales price of the methanol it delivered decreased in the six months ended June 30, 2019, reflecting the market trend. Along with the decrease in the sales price, the sales volume significantly increased, which led to the decrease in the average unit price of our hazardous waste treatment business. The following table sets forth average unit price and disposal quantity for our hazardous waste treatment business for the period indicated.

	For the year ended December 31,									For the six months ended June 30,					
	2016			2017			2018			2018			2019		
	Average unit price	Treatment volume	Revenue	Average unit price	Treatment volume	Revenue	Average unit price	Treatment volume	Revenue	Average unit price	Treatment volume	Revenue	Average unit price	Treatment volume	Revenue
	(HK$ in thousands/ ton)	*(Tons)*	*(HK$ in thousands)*	*(HK$ in thousands/ ton)*	*(Tons)*	*(HK$ in thousands)*	*(HK$ in thousands/ ton)*	*(Tons)*	*(HK$ in thousands)*	*(HK$ in thousands/ ton)*	*(Tons)*	*(HK$ in thousands)*	*(HK$ in thousands/ ton)*	*(Tons)*	*(HK$ in thousands)*
Guangxi Guigang BEWG Medical Waste Disposal Center Project[(1)] (廣西貴港北控水務醫療廢物處置中心項目)	3.40	1,802	6,128	2.77	1,979	5,483	4.18	1,979	8,274	4.44	972	4,318	3.42	1,189	4,072
Shandong Industrial Solid Waste Disposal Center Project[(1)] (山東省工業固體廢物處置中心項目)	–	–	–	3.08	44,394	136,877	3.24	60,771	197,110	4.43	15,483	68,562	3.60	29,395	105,717
Ganhe Industrial Park Tailings Storage and Recycling Project[(1)] (甘河工業園尾礦渣堆場及循環利用項目)	–	–	–	–	–	1,653	1.12	10,998	12,362	9.70	953	9,245	–	–	–
Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project[(2)] (寧夏睿源廢舊甲醇及混醇回收循環利用項目)	–	–	–	–	–	–	3.74	47,548	177,633	2.86	16,527	47,293	1.86	65,686	122,037
Ge'ermu Industrial Waste Centralized Disposal Project[(1)] (格爾木工業廢渣集中處置項目)	–	–	–	–	–	–	2.46	4,400	10,842	13.59	241	3,274	2.85	261	744
Shouguang Industrial Solid Waste Disposal Center Project[(1)] (壽光市工業固體廢物處置中心項目)	–	–	–	–	–	–	6.84	2,338	15,988	–	–	–	6.30	1,209	7,616
Total	3.40	1,802	6,128	3.11	46,373	144,013	3.30	128,034	422,209	3.88	34,176	132,692	2.46	97,740	240,186[(3)]

Notes:

(1) The treatment volume represents the actual treatment volume under our operation. See "Business — Our Hazardous Waste Treatment Business — Our Project Portfolios."

(2) The treatment volume represents the volume of the alcohol related products we sold. See "Business — Our Hazardous Waste Treatment Business — Projects in Operation."

(3) Does not include revenue generated from Cenxiang Waste Lead-acid Batteries Recycling Project (岑祥鉛酸蓄電池回收項目), Jiaxing Waste Disposal Project (嘉興廢物處理項目) and Beijing Yingtaike Environmental Construction Technology Co., Ltd., which we acquired in December 2018. For the six months ended June 30, 2019, revenue generated from Cenxiang Waste Lead-acid Batteries Recycling Project and Jiaxing Waste Disposal Project was HK$24.1 million and HK$2.5 million, respectively. In May 2019, we terminated our investment in these two projects. Beijing Yingtaike Environmental Construction Technology Co., Ltd. ("**Beijing Yingtaike**") primarily engaged in providing consulting services and did not provide hazardous waste treatment services for the six months ended June 30, 2019. For the six months ended June 30, 2019, revenue generated from Beijing Yingtaike was HK$10.5 million. We entered into an equity transfer agreement with the transferee to transfer our equity interest in Beijing Yingtaike in June 2019. For details, see "History, Reorganization and Corporate Structure — Reorganization — Acquisition of and Capital Injection to Certain Onshore Subsidiaries."

Others represent our waste electrical and electronic equipment treatment business. We generated revenue from (i) sale of dismantled products after dismantling waste electrical and electronic equipment and disposing of hazardous waste contained therein; and (ii) environmental decommissioning fees income, which represents government subsidies recognized in accordance with the accounting policies set out in Note 2.5 in Appendix IA of this Prospectus. For details, see "— Description of Certain Consolidated Statement of Financial Position Items of Our Group — Environmental Decommissioning Fees Receivables." For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, such subsidies accounted for 48.8%, 49.7% and 49.9% of our revenue generated from the waste electrical and electronic equipment treatment business, respectively.

Cost of Sales

Our cost of sales primarily consists of (i) wages and welfare; (ii) raw materials expenses; (iii) transportation expenses; and (iv) depreciation and amortization. The following table sets forth a breakdown of our cost of sales by nature for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in thousands of HK$, except percentages)									
Wages and welfare	6,910	44.2	316,791	47.3	851,781	53.6	392,581	57.5	557,501	51.3
Raw materials expenses	960	6.2	122,909	18.3	224,981	14.2	84,146	12.3	183,450	16.9
Transportation expenses	1,647	10.5	78,841	11.8	142,257	9.0	60,982	8.9	83,532	7.7
Depreciation and amortization	3,566	22.8	48,538	7.2	114,008	7.2	51,168	7.5	103,156	9.5
Office and rental expenses	403	2.6	15,773	2.4	77,457	4.9	36,976	5.4	39,324	3.6
Repair and maintenance expenses	1,528	9.8	17,312	2.6	34,779	2.2	10,874	1.6	25,858	2.4
Utilities	–	–	3,438	0.5	22,391	1.4	10,632	1.6	16,346	1.5
Others(1)	612	3.9	65,980	9.9	120,909	7.5	36,371	5.2	77,699	7.1
Total	15,626	100.0	669,582	100.0	1,588,563	100.0	683,730	100.0	1,086,866	100.0

Note:

(1) Primarily include inspection costs, clothing costs for municipal workers and insurance costs.

Wages and welfare account for a significant portion of the cost of sales of our environmental hygiene service business, which is labor intensive. As our environmental hygiene service business expanded significantly during the Track Record Period, our wages and welfare increased from HK$6.9 million in 2016 to HK$316.8 million in 2017 and further increased to HK$851.8 million in 2018. Our wages and welfare increased from HK$392.6 million for the six months ended June 30, 2018 to HK$557.5 million for the six months ended June 30, 2019.

Raw materials expenses primarily include (i) the waste electrical and electronic appliances we procured for recycling; (ii) the hazardous waste we procured for recycling and reuse; and (iii) other consumables we procured for our environmental hygiene services, such as dumpsters. Raw materials expenses account for a significant portion of the cost of sales of our waste electrical and electronic equipment treatment service business. We acquired (i) Jiangxi Mineral, which operates Jiangxi Waste Electrical and Electronic Equipment Treatment and Recycling Project, in August 2017; and (ii) Shaanxi BE Recycling, which operates Shaanxi Waste Electronic Appliance and Digital Product Recycling and Reuse Showcase Project, at the end of 2016. As a result, our raw materials expenses increased significantly from HK$1.0 million in 2016 to HK$122.9 million in 2017. We acquired Ningxia Ruiyuan, which operates Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project, in March 2018. We procured waste methanol and mixed alcohol as its raw materials to produce alcohol related products. As a result, our raw materials expenses further increased from HK$122.9 million in 2017 to HK$225.0 million in 2018, and increased from HK$84.1 million for the six months ended June 30, 2018 to HK$183.5 million for the six months ended June 30, 2019.

Transportation expenses primarily represent fuel used to operate our garbage trucks and other sanitation vehicles. As our environmental hygiene service business expanded significantly during the Track Record Period, our transportation expenses increased from HK$1.6 million in 2016 to HK$78.8 million in 2017 and further increased to HK$142.3 million in 2018. Our transportation expenses increased from HK$61.0 million for the six months ended June 30, 2018 to HK$83.5 million for the six months ended June 30, 2019.

Depreciation and amortization primarily relates to our garbage trucks and other sanitation vehicles. As our environmental hygiene service business expanded significantly during the Track Record Period, our depreciation and amortization increased from HK$3.6 million in 2016 to HK$48.5 million in 2017 and further increased to HK$114.0 million in 2018. Our depreciation and amortization increased from HK$51.2 million for the six months ended June 30, 2018 to HK$103.2 million for the six months ended June 30, 2019.

Gross Profit and Gross Profit Margin

Our gross profit was HK$9.0 million, HK$242.8 million, HK$623.3 million and HK$388.4 million for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, respectively. Our gross profit margin was 36.6%, 26.6%, 28.2% and 26.3% for the same periods, respectively. The following table sets forth our gross profit breakdown and gross profit margin by business segment for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in thousands of HK$, except percentages)									
Environmental hygiene services	6,720	36.3%	148,126	22.4%	346,409	21.5%	169,147	23.3%	237,125	21.7%
Hazardous waste treatment business	2,294	37.4%	77,535	53.7%	228,833	54.2%	71,727	54.1%	121,923	44.0%
Others	–	–	17,137	16.1%	48,027	27.3%	22,959	26.7%	29,369	28.5%
Total	9,014	36.6%	242,798	26.6%	623,269	28.2%	263,833	27.8%	388,417	26.3%

In 2016, as we were in the early stage of developing our business, we had only one revenue-generating project for each of environmental hygiene services and hazardous waste treatment business, respectively. As a result, our gross profit margin in 2016 for both environmental hygiene services and hazardous waste treatment businesses were not representative of the gross profit margins for these business segments. For details, see "— Results of Operations — Year Ended December 31, 2017 Compared to Year Ended December 31, 2016 — Gross Profit and Gross Profit Margin."

Other Income and Gains, Net

Our other income and gains primarily consist of (i) VAT refunds, which mainly represent VAT refunds received by one subsidiary from the local government; (ii) consultancy service income, which represents income from the consultancy service we provided to one third party environmental hygiene service enterprise in 2017 and consultancy service provided to two third-party hazardous waste treatment enterprises in 2018; (iii) government grants, which represent grants received from certain government authorities for our hazardous waste treatment business and environmental hygiene services; and (iv) net foreign exchange differences, which primarily resulted from conversions of foreign currency denominated assets or liabilities into Renminbi by our subsidiaries in the PRC. The following table sets forth a breakdown of our other income and gains for the period indicated.

	For the years ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in thousands of HK$)				
				(unaudited)	
VAT refunds	–	12,420	19,552	5,325	11,586
Consultancy service income	–	4,842	11,135	4,993	5,907
Interest income	307	635	7,694	1,601	6,138
Government grants	–	3,887	5,596	2,985	3,124
Gain on bargain purchase of subsidiaries	–	–	4,726	776	–
Foreign exchange differences, net	10,666	–	2,039	727	71
Gain on disposal of an associate	–	–	526	526	–
Gain on disposal of subsidiaries	–	–	206	206	2,841
Others[1]	676	2,648	5,295	1,734	1,110
Total	11,649	24,432	56,769	18,873	30,777

Note:

(1) Primarily include land use tax refunds.

Administrative Expenses

Our administrative expenses primarily consist of (i) wages and welfare; and (ii) office expenses. The following table sets forth a breakdown of our administrative expenses for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in thousands of HK$, except percentages)									
Wages and welfare	162	15.2	84,726	51.8	201,894	56.3	90,302	59.6	99,211	58.8
Office expenses	93	8.8	37,179	22.7	84,950	23.7	30,935	20.4	27,919	16.6
Amortization and depreciation	296	27.9	15,131	9.3	44,876	12.5	16,506	10.9	19,290	11.4
Rental expenses	–	–	4,433	2.7	5,027	1.4	2,208	1.5	2,464	1.5
Listing expenses	–	–	10,230	6.3	9,832	2.7	3,946	2.6	9,628	5.7
Professional party service fee	216	20.3	1,622	1.0	2,353	0.7	2,723	1.7	2,967	1.8
Taxes and stamp duty	–	–	2,518	1.5	624	0.2	91	0.1	1,352	0.8
Others[1]	295	27.8	7,670	4.7	8,994	2.5	4,777	3.2	5,801	3.4
Total	1,062	100.0	163,509	100.0	358,550	100.0	151,488	100.0	168,632	100.0

Note:

(1) Primarily include expenses in relation to decoration, utilities and trainings.

Selling and Distribution Expenses

Our selling and distribution expenses represent selling and distribution expenses incurred in relation to hazardous waste treatment business, which primarily consist of (i) office expenses; and (ii) wages and welfare. The following table sets forth a breakdown of our selling and distribution expenses for the period indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2016		2017		2018		2018		2019	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(in thousands of HK$, except percentages)									
Wages and welfare	–	–	4,941	86.0	4,442	69.1	76	5.7	869	20.0
Office expenses	–	–	695	12.1	1,670	26.0	1,072	81.2	3,326	76.4
Rental expenses	–	–	87	1.5	84	1.3	28	2.1	–	–
Depreciation	–	–	1	0.0	–	–	–	–	25	0.5
Others[1]	–	–	25	0.4	231	3.6	145	11.0	135	3.1
Total	–	–	5,749	100.0	6,427	100.0	1,321	100.0	4,355	100.0

Note:

(1) Primarily include insurance expenses.

Other Expenses

Our other expenses primarily consist of (i) fine penalty and compensation, which represent fine and penalty in relation to our parking tickets and fee deduction as a result of failure to meet the requirements specified in the concession agreements for environmental hygiene service projects from 2016 to 2018 and compensation paid to our employees in relation to two fatal accidents in the first half of 2019; (ii) impairment of inventories; (iii) impairment of account receivables; and (iv) foreign exchange loss, which primarily resulted from conversions of foreign currency denominated assets or liabilities into Renminbi by our subsidiaries in the PRC. The following table sets forth a breakdown of our other expenses for the period indicated.

	For the years ended December 31,			For the six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	(in thousands of HK$)				
Fine penalty and compensation	–	248	1,834	619	1,965
Impairment of inventories	–	–	–	–	3,263
Impairment of account receivables	–	360	1,534	222	–
Loss on disposal of property, plant and equipment	–	41	189	54	–
Impairment on property, plant and equipment	–	17	–	–	–
Foreign exchange loss, net	–	6,245	–	–	–
Others[(1)]	211	(115)	783	48	340
Total	211	6,796	4,340	943	5,568

Note:

(1) Primarily include compensation paid to government authorities as a result of damages on public facilities caused by mechanized cleaning vehicles.

Finance Costs

Our finance costs primarily consist of (i) interest on bank borrowings; (ii) interest on other loans and (iii) interest on lease liabilities. We also recorded an increase in discounted amount of provision for major overhaul arising from the passage of time in connection with the provision for the major overhaul of our landfill. See "— Description of Certain Consolidated Statement of Financial Position Items of Our Group — Provision for Major Overhaul." The following table sets forth a breakdown of our finance costs for the period indicated.

	For the years ended December 31,			For the six months ended June 30,	
	2016	2017	2018	2018	2019
	(in thousands of HK$)				
				(unaudited)	
Interest on bank borrowings	265	4,770	41,070	14,354	29,359
Interest on other loans	–	3,574	3,573	1,264	3,792
Interest on lease liabilities	–	2,589	7,547	3,914	5,688
Interest on other payable	–	–	–	–	780
Total interest on bank and other borrowings	265	10,933	52,190	19,532	39,619
Increase in discounted amount of provision for major overhaul arising from the passage of time	–	219	235	122	120
Less: Interest capitalized	–	–	(2,258)	–	(2,950)
Total	265	11,152	50,167	19,654	36,789

Share of Loss of an Associate

For the year ended December 31, 2017, we recorded share of loss of an associate of HK$0.2 million, representing our loss from investment in Chongqing Transportation Xintiandi Cycle Technology Co., Ltd. ("**Xintiandi Cycle Technology**"), in which we indirectly hold a 26% equity interest after acquisition of Chongqing Beijing Enterprises Recycled Resources Ltd. Chongqing Beijing Enterprises Recycled Resources Ltd. directly holds a 40% of Xintiandi Cycle Technology. Xintiandi Cycle Technology primarily engaged in dismantling and recycling of scrapped vehicles. We disposed of Xintiandi Cycle Technology to an Independent Third Party in January 2018.

Share of Loss of a Joint Venture

For the year ended December 31, 2018 and the six months ended June 30, 2019, we recorded share of loss of a joint venture of HK$1.2 million and HK$0.7 million, respectively, which represented loss from our investment in Sichuan Jiuzhou Environmental Technology Co., Ltd. ("**Sichuan Jiuzhou**"), in which we directly hold 39% equity interest. Sichuan Jiuzhou primarily engaged in chemical refining business and sales of chemical.

Income Tax Credit/Expenses

Our income tax expenses consisted of income tax payable by our subsidiaries in the PRC. For the year ended December 31, 2016, our income tax credit was HK$35,000. For the years ended December 31, 2017 and 2018, our income tax expenses were HK$15.0 million and HK$45.5 million, respectively. For the six months ended June 30, 2018 and 2019, our income tax expenses were HK$30.6 million and HK$48.8 million, respectively. During the Track Record Period, except for certain preferential treatment available to certain subsidiaries, our PRC subsidiaries were subject to a statutory Enterprise Income Tax ("**EIT**") rate of 25% under the EIT Law.

Certain of our subsidiaries in China enjoyed income tax exemptions and reductions during the Track Record Period because (i) these subsidiaries engaged in the operations of environmental protection, energy and water conservation; and/or (ii) these subsidiaries had operations in the western region of China that qualified them 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" issued by the State Council.

For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2018 and 2019, our effective income tax rate were 18.7%, 17.6%, 28.1% and 24.0%, respectively. During the Track Record Period and as of the Latest Practicable Date, we did not have any material unresolved tax disputes with relevant tax authorities in the PRC.

Discontinued Operation

In June 2018, in order to focus our resources on environmental hygiene services and hazardous waste treatment business, we disposed of Gansu Huayi.

Given the significant size of our waste electrical and electronic equipment treatment business in Gansu province which was attributable to Gansu Huayi and the specific risk relating to the recoverability of the environmental decommissioning fees receivables from the relevant government authority in Gansu province, our waste electrical and electronic equipment treatment business in Gansu province represented a separate major line of geographical area of operations and the financial results of Gansu Huayi were presented as a discontinued operation during the Track Record Period. For further details on the disposal of Gansu Huayi, see "History, Reorganization and Corporate Structure — Reorganization — Disposal of non-core Business — Disposal of Gansu Huayi."

The following table sets forth the statement of profit or loss of Gansu Huayi for the period indicated.

	For the years ended December 31,		For the six months ended June 30,
	2016	2017	2018
	(in thousands of HK$)		
Revenue	79,905	87,804	12,902
Cost of sales	(144,739)	(182,916)	(49,878)
Other income and gains	545	6,664	106
Selling and distribution expenses	(1,479)	(1,872)	(1,031)
Administrative expenses	(5,567)	(11,958)	(11,428)
Other expenses	(15)	(254)	(391)
Finance costs	(3,198)	(10,595)	(7,951)
Loss for the year/period from the discontinued operation	(74,548)	(113,127)	(57,671)
Gain on disposal of the discontinued operation	–	–	315,714
Profit/(loss) for the year/period from a discontinued operation	(74,548)	(113,127)	258,043
Loss for the year/period from a discontinued operation includes the following:			
Interest income	100	78	50
Write-down of inventories to net realizable value	(201)	(4,304)	(30,971)

Description of Certain Profit or Loss Items of the Discontinued Operation

- *Revenue*

During the Track Record Period, revenue recognized by Gansu Huayi represents revenue generated from its sales of dismantled products only. The revenue generated by Gansu Huayi increased from HK$79.9 million for the year ended December 31, 2016 to HK$87.8 million for the year ended December 31, 2017. The increase was primarily because of the increase in the amount of dismantled products it sold as it increased its actual treatment volume from 1,805,958 pieces for the year ended December 31, 2016 to 2,016,161 pieces for the year ended December 31, 2017.

The revenue generated by Gansu Huayi was HK$12.9 million for the six months ended June 30, 2018. The actual treatment volume of Gansu Huayi for the six months ended June 30, 2018 was 563,912 pieces. Gansu Huayi has not received any government subsidies in respect of the dismantling services it provided during the Track Record Period for the reasons as set out in "History, Reorganization and Corporate Structure — Corporate Development — Disposal of non-core business — Disposal of Gansu Huayi." As a result, it continued to incur cost of sales with respect to its dismantling services, regardless of the fact that it did not receive government subsidies. If it increased its actual treatment volume, a further gross loss may be incurred on Gansu Huayi. If Gansu Huayi were able to (i) meet certain conditions in accordance with applicable PRC laws and regulations, such as being included in the List of Enterprises Subsidized by the National Waste Electronic Appliance and Digital Product Disposal Fund; and (ii) pass relevant governmental review and approval process, including passing the government's technical review, it would become eligible to receive government subsidies. Thus, in anticipation of the uncertainty in passing the government's technical review in the future, Gansu Huayi reduced its actual treatment volume during the six months ended June 30, 2018 to reduce its cost and potential loss.

- *Cost of Sales*

The cost of sales incurred by Gansu Huayi increased from HK$144.7 million for the year ended December 31, 2016 to HK$182.9 million for the year ended December 31, 2017, primarily because of the increase of its actual treatment volume from 1,805,958 pieces for the year ended December 31, 2016 to 2,016,161 pieces for the year ended December 31, 2017.

The cost of sales incurred by Gansu Huayi was HK$49.9 million for the six months ended June 30, 2018. In anticipation of a further delay in collecting the environmental decommissioning fees, it reduced its actual treatment volume during the six months ended June 30, 2018 to reduce its cost and the potential loss. See "— Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Discontinued Operation — Description of Certain Profit or Loss Items of the Discontinued Operation — Revenue."

- *Gross Loss*

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, Gansu Huayi incurred a gross loss of HK$64.8 million, HK$95.1 million and HK$37.0 million, respectively. The cost of sales accounted for approximately 181.1% and 208.3% of the revenue of Gansu Huayi for the years ended December 31, 2016 and 2017, respectively. The cost of sales increased to approximately 386.6% of the revenue of Gansu Huayi for the six months ended June 30, 2018, primarily because Gansu Huayi made a provision for its inventory in 2018.

In comparison, for the waste electrical and electronic equipment treatment business we retained in our Group, we recorded a gross profit of HK$17.1 million and HK$48.0 million for the years ended December 31, 2017 and 2018, respectively, and a gross profit margin of 16.1% and 27.3% for the years ended December 31, 2017 and 2018, respectively. See "— Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Gross Profit and Gross Profit Margin." We were able to generate gross profits with respect to waste electrical and electronic equipment treatment business we retained in our Group during the Track Record Period, primarily because we were reasonably assured that the waste electrical and electronic equipment treatment business we retained in our Group could receive the environmental decommissioning fees income based on historical settlement pattern from the governmental authorities. Therefore, we were able to recognize the environmental decommissioning fees income into our revenue.

- *Administrative Expenses*

The administrative expenses incurred by Gansu Huayi increased from HK$5.6 million for the year ended December 31, 2016 to HK$12.0 million for the year ended December 31, 2017 primarily due to its expanded operation.

The administrative expenses incurred by Gansu Huayi was HK$11.4 million for the six months ended June 30, 2018, primarily arising from salary expenses, depreciation and lease expenses.

- *Finance Costs*

The finance costs incurred by Gansu Huayi increased from HK$3.2 million for the year ended December 31, 2016 to HK$10.6 million for the year ended December 31, 2017, primarily because it obtained a bank borrowing in November 2016. The finance costs of this bank borrowing started to accrue in November 2016 and accrued over the full year of 2017. It obtained another borrowing from BEWG in 2017, under which it incurred additional finance costs.

The finance costs incurred by Gansu Huayi was HK$8.0 million for the six months ended June 30, 2018, primarily arising from the loans it borrowed from our Group in 2018. See "— Related Party Transactions — Interest Income."

Other Comprehensive Income/(Loss)

During the Track Record Period, our other comprehensive income/(loss) resulted from exchange differences. The functional currency of the subsidiaries in Mainland China is currency other than the Hong Kong dollars. As of the end of each reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year/period. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

We recorded exchange gain of HK$0.7 million and HK$77.6 million as our other comprehensive income for the years ended December 31, 2016 and 2017, respectively, and exchange losses of HK$98.0 million, HK$7.2 million and HK$5.4 million for the years ended December 31, 2018 and the six months ended June 30, 2018 and 2019, respectively.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Revenue

Our revenue increased by 55.7% from HK$947.6 million for the six months ended June 30, 2018 to HK$1,475.3 million for the six months ended June 30, 2019, primarily reflecting increases in the revenue from our environmental hygiene services and hazardous waste treatment business.

Environmental Hygiene Services

Revenue from environmental hygiene services increased by 50.2% from HK$728.9 million for the six months ended June 30, 2018 to HK$1,094.8 million for the six months ended June 30, 2019, primarily because we operated more environmental hygiene service projects in the first half of 2019 than that we operated in the first half of 2018 as we won a number of new environmental hygiene service projects through public tenders in the second half of 2018 and the first half of 2019. The average contracted area of our environmental hygiene services increased from 112.4 million sq. m. as of June 30, 2018 to 152.0 million sq. m. as of June 30, 2019 while the average revenue from environmental hygiene services increased moderately from HK$5.9 per sq. m. for the six months ended June 30, 2018 to HK$6.3 per sq. m. for the six months ended June 30, 2019.

Hazardous Waste Treatment Business

Revenue from hazardous waste treatment business increased significantly from HK$132.7 million for the six months ended June 30, 2018 to HK$277.2 million for the six months ended June 30, 2019, primarily due to a significant increase in the treatment volume of projects for our hazardous waste treatment business. In particular, the actual treatment volume of Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project increased from 16,527 tons for the six months ended June 30, 2018 to 65,686 tons for the six months ended June 30, 2019 and the actual treatment volume of Shandong Industrial Solid Waste Disposal Center Project increased from 15,483 tons for the six months ended June 30, 2018 to 29,395 tons for the six months ended June 30, 2019.

Others

Revenue from others increased by 20.0% from HK$86.0 million for the six months ended June 30, 2018 to HK$103.2 million for the six months ended June 30, 2019, primarily due to an increase in the actual treatment volume of Jiangxi Waste Electrical and Electronic Equipment Treatment and Recycling Project, from the six months ended June 30, 2018 to the six months ended June 30, 2019.

Cost of Sales

Our cost of sales increased by 59.0% from HK$683.7 million for the six months ended June 30, 2018 to HK$1,086.9 million for the six months ended June 30, 2019, primarily due to (i) an increase in wages and welfare from HK$392.6 million for the six months ended June 30, 2018 to HK$557.5 million for the six months ended June 30, 2019, primarily resulting from the expansion of our environmental hygiene service business, which is labor intensive; (ii) an increase in raw materials expenses from HK$84.1 million for the six months ended June 30, 2018 to HK$183.5 million for the six months ended June 30, 2019 as a result of our acquisition of Ningxia Ruiyuan, which procured a large volume of waste methanol and mixed alcohol as its raw materials to produce alcohol related products, in March 2018; and (iii) an increase in depreciation and amortization from HK$51.2 million for the six months ended June 30, 2018 to HK$103.2 million for the six months ended June 30, 2019, primarily resulting from the expansion of our environmental hygiene service business, which uses a large amount of equipment during its ordinary course of business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit for continuing operations increased by 47.2% from HK$263.8 million for the six months ended June 30, 2018 to HK$388.4 million for the six months ended June 30, 2019. Our gross profit margin decreased from 27.8% for the six months ended June 30, 2018 to 26.3% for the six months ended June 30, 2019.

Environmental Hygiene Services

Our gross profit from environmental hygiene services increased by 40.2% from HK$169.1 million for the six months ended June 30, 2018 to HK$237.1 million for the six months ended June 30, 2019. The gross profit margin for our environmental hygiene services decreased from 23.3% for the six years ended June 30, 2018 to 21.7% for the six months ended June 30, 2019, primarily due to a decrease in the gross profit margin of Chongqing Binnan for the six months ended June 30, 2019.

Hazardous Waste Treatment Business

Our gross profit from hazardous waste treatment business increased by 70.0% from HK$71.7 million for the six months ended June 30, 2018 to HK$121.9 million for the six months ended June 30, 2019. The gross profit margin for our hazardous waste treatment business decreased from 54.1% for the six months ended June 30, 2018 to 44.0% for the six months ended June 30, 2019, primarily because Ningxia Ruiyuan, which contributed to the majority of the revenue increase from hazardous waste treatment business, recorded a comparatively lower gross profit margin than our other subsidiaries engaging in hazardous waste treatment business because the selling price of Ningxia Ruiyuan's products dropped during the period due to changes in market conditions. For details, see "Financial Information — Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Revenue."

Others

Our gross profit from others increased by 27.8% from HK$23.0 million for the six months ended June 30, 2018 to HK$29.4 million for the six months ended June 30, 2019. The gross profit margin for others increased from 26.7% for the six months ended June 30, 2018 to 28.5% for the six months ended June 30, 2019, primarily due to an increase in the market price of dismantled electrical and electronic products for the six months ended June 30, 2019.

Other Income and Gains, Net

Our other income and gains, net increased by 63.0% from HK$18.9 million for the six months ended June 30, 2018 to HK$30.8 million for the six months ended June 30, 2019, primarily due to (i) VAT refunds increased from HK$5.3 million for the six months ended June 30, 2018 to HK$11.6 million for the six months ended June 30, 2019 as a result of increased revenue from a subsidiary; and (ii) interest income increased from HK$1.6 million for the six months ended June 30, 2018 to HK$6.1 million for the six months ended June 30, 2019 primarily as a result of an increase in our bank deposits.

Administrative Expenses

Our administrative expenses increased by 11.3% from HK$151.5 million for the six months ended June 30, 2018 to HK$168.6 million for the six months ended June 30, 2019, primarily due to an increase in wages and welfare from HK$90.3 million for the six months ended June 30, 2018 to HK$99.2 million for the six months ended June 30, 2019, reflecting our continuous business expansion.

Selling and distribution Expenses

Our selling and distribution expenses increased significantly from HK$1.3 million for the six months ended June 30, 2018 to HK$4.4 million for the six months ended June 30, 2019, primarily because office expenses increased from RMB1.1 million for the six months ended June 30, 2018 to RMB3.3 million for the six months ended June 30, 2019 as a result of our continuous business expansion.

Other Expenses

Our other expenses increased significantly from HK$0.9 million for the six months ended June 30, 2018 to HK$5.6 million for the six months ended June 30, 2019, primarily because (i) we had impairment of inventories of HK$3.3 million for the six months ended June 30, 2019 resulted from a decrease in the subsequent selling price of alcohol related products of Ningxia Ruiyuan; and (ii) we paid compensation in the amount of HK$1.5 million to our employees in relation to two fatal accidents in the first half of 2019.

Finance Costs

Our finance costs increased from HK$19.7 million for the six months ended June 30, 2018 to HK$36.8 million for the six months ended June 30, 2019, primarily due to interest on bank borrowings increased from HK$14.4 million to HK$29.4 million as a result of an increase in our borrowings in order to meet our business expansion need.

Income Tax Expenses

Our income tax expenses increased by 59.5% from HK$30.6 million for the six months ended June 30, 2018 to HK$48.8 million for the six months ended June 30, 2019, primarily due to our continuous business growth in environmental hygiene services sector and hazardous waste treatment business sector. Our effective tax rate decreased from 28.1% for the six months ended June 30, 2018 to 24.0% for the six months ended June 30, 2019, primarily because Ningxia Ruiyuan, which we acquired in March 2018, was exempt from EIT.

Profit for the Period from Continuing Operations

As a result of the foregoing, our profit for the period from continuing operations increased by 97.3% from HK$78.2 million for the six months ended June 30, 2018 to HK$154.3 million for the six months ended June 30, 2019.

Year Ended December 31, 2018 Compared to Year ended December 31, 2017

Revenue

Our total revenue from continuing operations increased significantly from HK$912.4 million in 2017 to HK$2,211.8 million in 2018, primarily reflecting an increase in the revenue from our environmental hygiene services.

Environmental Hygiene Services

Revenue from environmental hygiene services increased significantly from HK$662.2 million in 2017 to HK$1,613.4 million in 2018. We acquired BE Urban Services PRC and its then subsidiaries in April 2017, and Chongqing Binnan and its then subsidiaries in July 2017. In addition, we won a number of new environmental hygiene service projects through public tenders during the course of 2017 and recorded more revenue from them after they started contributing their full-year revenue in 2018. We also won a number of new environmental hygiene service projects through public tenders in 2018. As of December 31, 2018, we had 106 revenue-generating environmental hygiene service projects, as compared to 71 projects as of December 31, 2017. The average contracted area of our environmental hygiene services increased significantly by 138.8% from 51.4 million sq. m. as of December 31, 2017 to 122.9 million sq. m. as of December 31, 2018 while the average revenue from environmental hygiene services increased moderately by 9.7% from HK$11.0 per sq. m. for the year ended December 31, 2017 to HK$12.1 per sq. m. for the year ended December 31, 2018.

Hazardous Waste Treatment Business

Revenue from hazardous waste treatment business increased significantly from HK$144.0 million in 2017 to HK$422.2 million in 2018, primarily because we acquired Ningxia Ruiyuan, which operates Ningxia Ruiyuan Waste Methanol and Mixed Alcohol Recycling and Reuse Project, in March 2018. As a result, our revenue generated from sales of refined chemical products amounted to HK$170.9 million in 2018. The treatment volume of our hazardous waste treatment business increased by 176.1% from 46,373 tons in 2017 to 128,034 tons in 2018 while the average unit price increased by 6.2% from HK$3,105.5 per ton in 2017 to HK$3,297.6 per ton in 2018.

Others

Revenue from others increased from HK$106.2 million in 2017 to HK$176.2 million in 2018, primarily due to an increase in the revenue from Jiangxi Mineral, which we acquired in August 2017. Therefore, our revenue increase in 2018 reflected the first full-year consolidation of Jiangxi Mineral's results of operations.

Cost of Sales

Our cost of sales increased significantly from HK$669.6 million in 2017 to HK$1,588.6 million in 2018, primarily due to (i) an increase in wages and welfare from HK$316.8 million in 2017 to HK$851.8 million in 2018, primarily resulting from the expansion of our environmental hygiene service business, which is labor intensive; and (ii) an increase in raw materials expenses from HK$122.9 million in 2017 to HK$225.0 million in 2018, primarily resulting from our acquisition of Ningxia Ruiyuan, which procured waste methanol and mixed alcohol as its raw materials to produce alcohol related products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit for continuing operations increased significantly from HK$242.8 million in 2017 to HK$623.3 million in 2018. Our gross profit margin for continuing operations increased from 26.6% in 2017 to 28.2% in 2018.

Environmental Hygiene Services

Our gross profit from environmental hygiene services increased from HK$148.1 million in 2017 to HK$346.4 million in 2018. The gross profit margin for our environmental hygiene services decreased from 22.4% in 2017 to 21.5% in 2018, primarily due to the decreased gross profit margin of Chongqing Binnan, which was in turn because of its increased wages and welfare in 2018.

Hazardous Waste Treatment Business

Our gross profit from hazardous waste treatment business increased from HK$77.5 million in 2017 to HK$228.8 million in 2018. The gross profit margin for our hazardous waste treatment business remained relatively stable at 54.2% in 2018 compared with 53.7% in 2017.

Others

Our gross profit from others increased from HK$17.1 million in 2017 to HK$48.0 million in 2018. The gross profit margin for others increased from 16.1% in 2017 to 27.3% in 2018, primarily due to the increase in the market price of dismantled electrical and electronic products in 2018.

Other Income and Gains, Net

Our other income and gains increased significantly from HK$24.4 million in 2017 to HK$56.8 million in 2018, primarily due to (i) VAT refunds increased from HK$12.4 million in 2017 to HK$19.6 million in 2018 as a result of increased revenue from a subsidiary; (ii) interest income increased from HK$0.6 million in 2017 to HK$7.7 million in 2018 as a result of an increase in our bank deposits; and (iii) consultancy service income increased from HK$4.8 million in 2017 to HK$11.1 million in 2018.

Administrative Expenses

Our administrative expenses increased significantly from HK$163.5 million in 2017 to HK$358.6 million in 2018, primarily due to (i) an increase in wages and welfare from HK$84.7 million in 2017 to HK$201.9 million in 2018 and (ii) an increase in office expenses from HK$37.2 million in 2017 to HK$85.0 million in 2018, both resulted from our continuous business expansion.

Selling and Distribution Expenses

Our selling and distribution expenses remained relatively stable at HK$6.4 million in 2018 as compared to HK$5.7 million in 2017.

Other Expenses

Our other expenses decreased by 36.1% from HK$6.8 million in 2017 to HK$4.3 million in 2018, primarily due to we did not incur foreign exchange loss in 2018. Such decrease was partially offset by an increase of HK$1.6 million in fine and penalty.

Finance Costs

Our finance costs increased significantly from HK$11.2 million in 2017 to HK$50.2 million in 2018, primarily due to interest on bank borrowings increased from HK$4.8 million to HK$41.1 million as a result of an increase in our borrowings in order to meet our business expansion needs.

Income Tax Expenses

Our income tax expenses increased significantly from HK$15.0 million in 2017 to HK$45.5 million in 2018, primarily due to our business growth in environmental hygiene service sector. Our effective income tax rate decreased from 18.7% in 2017 to 17.6% in 2018, primarily due to our acquisition of Ningxia Ruiyuan, which was exempt from EIT, in 2018.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased from HK$64.9 million in 2017 to HK$213.9 million in 2018.

Discontinued Operation

Our profit for the year from a discontinued operation was HK$258.0 million in 2018, while we recorded loss for the year from a discontinued operation of HK$113.1 million in 2017. Such significant change was primarily due to our disposal of Gansu Huayi in June 2018, after which we recorded gains of HK$315.7 million.

Profit for the Year

As a result of the foregoing, we recorded profit for the year of HK$471.9 million in 2018, while we recorded loss for the year of HK$48.3 million in 2017.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our total revenue from continuing operations increased significantly from HK$24.6 million in 2016 to HK$912.4 million in 2017, primarily reflecting an increase in the revenue from our environmental hygiene services.

Environmental Hygiene Services

Revenue from environmental hygiene services increased significantly from HK$18.5 million in 2016 to HK$662.2 million in 2017. We had only one revenue-generating environmental hygiene service project, namely Guigang City Environmental Hygiene Service Project as of December 31, 2016. We acquired BE Urban Services PRC and its then subsidiaries in April 2017, and Chongqing Binnan and its then subsidiaries in July 2017. We also won a number of new environmental hygiene service project through public tenders in 2017. As of December 31, 2017, we had 71 environmental hygiene service projects. In addition, we recorded revenue of HK$47.4 million for construction services in relation to our projects under BTO model in 2017.

Hazardous Waste Treatment Business

Revenue from hazardous waste treatment business increased significantly from HK$6.1 million in 2016 to HK$144.0 million in 2017. We had only one hazardous waste treatment project in operation as of December 31, 2016. In December 2016, we acquired Shandong Pingfu, which operates Shandong Industrial Solid Waste Disposal Center Project, a hazardous waste treatment project that commenced operations in January 2017 and significantly contributed to our revenue for hazardous waste treatment services in 2017. The treatment volume of our hazardous waste treatment business increased by 2,473.4% from 1,802 tons in 2016 to 46,373 tons in 2017 while the average unit price decreased by 8.7% from HK$3,400.7 per ton in 2016 to HK$3,105.5 per ton in 2017.

Others

We started generating revenue from others in 2017 after we acquired (i) Jiangxi Mineral, which operates Jiangxi Waste Electrical and Electronic Equipment Treatment and Recycling Project, in August 2017; and (ii) Shaanxi BE Recycling, which operates Shaanxi Waste Electronic Appliance and Digital Product Recycling and Reuse Showcase Project, at the end of 2016. We did not record any revenue from others in 2016.

Cost of Sales

Our cost of sales increased significantly from HK$15.6 million in 2016 to HK$669.6 million in 2017, primarily (i) an increase in wages and welfare from HK$6.9 million in 2016 to HK$316.8 million in 2017, primarily resulting from the expansion of our environmental hygiene service business, which is labor intensive; and (ii) an increase in raw materials expenses from HK$1.0 million in 2016 to HK$122.9 million in 2017, primarily resulting from our acquisition of Jiangxi Mineral and Shaanxi BE Recycling, which procured waste electrical and electronic appliances for recycling.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased significantly from HK$9.0 million in 2016 to HK$242.8 million in 2017. Our gross profit margin was 36.6% and 26.6% in 2016 and 2017, respectively.

Environmental Hygiene Services

Our gross profit from environmental hygiene services increased from HK$6.7 million in 2016 to HK$148.1 million in 2017. We had only one revenue-generating environmental hygiene service project, namely Guigang City Environmental Hygiene Service Project in 2016. Its gross profit margin primarily related to the service contract we negotiated with the local government agencies and was not representative of the gross profit margin of our other environmental hygiene service projects in general. As a result of (i) our acquisitions of BE Urban Services PRC and its then subsidiaries in April 2017 and Chongqing Binnan and its then subsidiaries in July 2017; and (ii) the winning of new environmental hygiene service projects through public tenders in 2017, we had 71 revenue-generating environmental hygiene service projects. The gross profit margin for our environmental hygiene services was 22.4% in 2017, as compared to 36.3% in 2016.

Hazardous Waste Treatment Business

Our gross profit from hazardous waste treatment business increased from HK$2.3 million in 2016 to HK$77.5 million in 2017. We had only one hazardous waste treatment project, namely Guangxi Guigang BEWG Medical Waste Disposal Center Project, in 2016. Its gross profit margin was 37.4% in 2016. In January 2017, Shandong Industrial Solid Waste Disposal Center Project, a hazardous waste treatment project we acquired in December 2016, commenced operations. It treats hazardous waste through landfill, wastewater flocculation and purification and incineration, which typically generates a higher gross profit margin than treatment of medical wastes. In 2017, Shandong Industrial Solid Waste Disposal Center Project contributed a significant portion of our gross profit and therefore increased our gross profit margin to 53.7%.

Others

We recorded a gross profit of HK$17.1 million and a gross profit margin of 16.1% from others in 2017, resulting from our acquisitions of Jiangxi Mineral in August 2017 and Shaanxi BE Recycling at the end of 2016, respectively. We did not record any gross profit from others in 2016.

Other Income and Gains, Net

Our other income and gains increased significantly from HK$11.6 million in 2016 to HK$24.4 million in 2017, primarily due to VAT refunds and government grants we received in 2017 and income generated from our consultancy service in 2017.

Administrative Expenses

Our administrative expenses increased significantly from HK$1.1 million in 2016 to HK$163.5 million in 2017, primarily due to (i) an increase in wages and welfare from HK$0.2 million in 2016 to HK$84.7 million in 2017; and (ii) an increase in office expenses from HK$0.1 million in 2016 to HK$37.2 million in 2017, both resulted from our business expansion in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from nil in 2016 to HK$5.7 million in 2017, primarily because the only hazardous waste treatment project we had in 2016, namely, Guangxi Guigang BEWG Medical Waste Disposal Center Project did not engage in significant sales and marketing activities in 2016. Therefore, we did not incur selling and distribution expenses in 2016.

Other Expenses

Our other expenses increased significantly from HK$0.2 million in 2016 to HK$6.8 million in 2017, primarily due to we incurred a foreign exchange loss of HK$6.2 million in 2017.

Finance Costs

Our finance costs increased significantly from HK$0.3 million in 2016 to HK$11.2 million in 2017, primarily due to (i) an increase in interest on bank borrowings from HK$0.3 million to HK$4.8 million; and (ii) an increase in interest on other loans from nil to HK$3.6 million, both reflecting increases in our borrowings in order to meet our business expansion needs.

Income Tax Credit/Expenses

For the year ended December 31, 2016, our income tax credit was HK$35,000. For the year ended December 31, 2017, our income tax expenses was HK$15.0 million. Such significant change in income tax expenses was primarily due to the revenue increase as a result of our business expansion in 2017.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased from HK$19.2 million in 2016 to HK$64.9 million in 2017.

Discontinued Operation

Our loss for the year from a discontinued operation increased by 51.8% from HK$74.5 million in 2016 to HK$113.1 million in 2017, primarily due to cost of sales for Gansu Huayi increased from HK$144.7 million to HK$182.9 million.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 12.8% from HK$55.4 million in 2016 to HK$48.3 million in 2017.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION ITEMS OF OUR GROUP

As a result of our acquisitions during the Track Record Period and the disposal of our discontinued operation in 2018, our financial positions as of December 31, 2016, 2017 and 2018 and June 30, 2019 vary significantly.

The following table sets forth a summary of our consolidated statement of financial position as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
NON-CURRENT ASSETS				
Property, plant and equipment	505,874	1,008,126	1,526,868	1,491,932
Right of use assets	165,896	238,802	313,097	356,627
Goodwill	121,447	200,720	392,878	336,298
Operating concessions	–	68,807	60,522	125,500
Other intangible assets	445	1,273	1,319	2,823
Prepayments, deposits and other receivables	7,865	41,955	152,092	149,654
Due from non-controlling shareholders	117,383	–	–	–
Investment in an associate	4,159	4,253	571	568
Investment in a joint venture	–	–	33,618	32,800
Available-for-sales investment	–	15,802	–	–
Trade receivables	–	–	–	23,404
Contract assets	–	49,107	68,262	43,608
Deferred tax assets	–	340	1,643	1,662
Total non-current assets	923,069	1,629,185	2,550,870	2,564,876
CURRENT ASSETS				
Inventories	69,384	54,441	86,982	62,676
Trade and bills receivables	77,522	380,242	656,881	838,105
Environmental decommissioning fees receivable	20,503	82,321	136,551	175,137
Contract assets	–	–	5,684	4,049
Income tax recoverable	–	1,375	–	–
Other tax recoverable	410	28,537	68,162	55,484
Prepayments, deposits and other receivables	5,695	110,812	161,038	186,745
Due from related companies	–	29,041	472,005	39,165
Due from non-controlling shareholders	876	131,091	23,125	22,945
Pledged deposits	–	16,351	6,810	3,117
Cash and cash equivalents	405,306	631,114	734,314	886,526
Total current assets	579,696	1,465,325	2,351,552	2,273,949

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
CURRENT LIABILITIES				
Trade and bills payables	27,461	76,273	121,928	111,229
Other payables and accruals	115,691	523,577	938,088	834,708
Other taxes payable	4,456	23,083	26,339	25,758
Income tax payable	–	14,136	24,959	38,681
Due to related companies and shareholders	23,209	361,061	32,703	27,989
Due to non-controlling shareholders	99,281	111,157	2,498	–
Interest-bearing bank and other borrowings	203,272	329,529	306,244	572,278
Total current liabilities	473,370	1,438,816	1,452,759	1,610,643
NET CURRENT ASSETS	106,326	26,509	898,793	663,306
TOTAL ASSETS LESS CURRENT LIABILITIES	1,029,395	1,655,694	3,449,663	3,228,182
NON-CURRENT LIABILITIES				
Deferred income	111,748	115,278	140,730	148,055
Other payables and accruals	7,624	52,198	85,686	160,597
Deferred tax liabilities	12,575	14,483	24,835	12,518
Interest-bearing bank and other borrowings	–	367,292	1,048,903	703,931
Provision for major overhaul	–	5,002	4,999	5,098
Total non-current liabilities	131,947	554,253	1,305,153	1,030,199
Net assets	897,448	1,101,441	2,144,510	2,197,983

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
EQUITY				
Equity attributable to owners of the parent				
Issued capital	–	–	–	270,000
Reserves	731,983	763,836	1,555,476	1,390,973
	731,983	763,836	1,555,476	1,660,973
Non-controlling interests	165,465	337,605	589,034	537,010
Total equity	897,448	1,101,441	2,144,510	2,197,983

Property, Plant and Equipment

Our property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction in progress. The carrying value of our property, plant and equipment increased from HK$505.9 million as of December 31, 2016 to HK$1,008.1 million as of December 31, 2017, and further increased to HK$1,526.9 million as of December 31, 2018, primarily due to (i) our continuous acquisitions from 2016 to 2018; (ii) our continuous purchase of motor vehicles used for our environmental hygiene services; and (iii) addition of construction in progress for our hazardous waste treatment business. The carrying value of our property, plant and equipment decreased from HK$1,526.9 million as of December 31, 2018 to HK$1,491.9 million as of June 30, 2019, primarily due to (i) depreciation of our property, plant and equipment; and (ii) our disposal of Jiaxing Innovative Environmental Technology Co., Ltd. and Guizhou Cenxiang Resources Technology Co., Ltd. in the first half of 2019.

Right of Use Assets

Our right of use assets primarily relate to motor vehicles and office premises we rent for our environmental hygiene services. We recognize right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Our right of use assets increased from HK$165.9 million as of December 31, 2016 to HK$238.8 million as of December 31, 2017, and to HK$313.1 million as of December 31, 2018, and further to HK$356.6 million as of June 30, 2019, primarily due to our continuous business expansion for our environmental hygiene service sector.

Goodwill

During the Track Record Period, our goodwill primarily resulted from acquired business. Goodwill acquired through business combinations is allocated to the following business segments for impairment testing.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Environmental hygiene service segment	–	68,904	66,312	66,100
Hazardous waste treatment segment	121,447	131,816	326,566	270,198
Total	121,447	200,720	392,878	336,298

The carrying amount of our goodwill increased from HK$121.4 million as of December 31, 2016 to HK$200.7 million as of December 31, 2017, primarily due to our acquisition of Chongqing Binnan in 2017. The carrying amount of our goodwill increased from HK$200.7 million as of December 31, 2017 to HK$392.9 million as of December 31, 2018, primarily due to our acquisition of Ningxia Ruiyuan in 2018. The carrying value of our goodwill decreased from HK$392.9 million as of December 31, 2018 to HK$336.3 million as of June 30, 2019, primarily because we disposed of Jiaxing Innovative Environmental Technology Co., Ltd. and Guizhou Cenxiang Resources Technology Co., Ltd., which we acquired in 2018, in the first half of 2019.

No impairment for our goodwill is considered necessary as at December 31, 2016, 2017 and 2018. We believe that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 31, 2016, 2017 and 2018.

No impairment indicator was noted for goodwill as at June 30, 2019 and we are of opinion that no impairment provision is considered necessary for the goodwill as at June 30, 2019.

The sensitivity analysis as at December 31, 2016, 2017 and 2018 set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amounts.

The headroom (representing the excess of the cash-generating units' recoverable amounts over their carrying amounts) is shown as below:

	As at December 31,		
	2016	2017	2018
	HK$'000	*HK$'000*	*HK$'000*
Environmental hygiene CGUs	–	288,280	108,885
Hazardous waste treatment CGUs	576,699	709,060	1,277,896
	576,699	997,340	1,386,781

Had the estimated key assumptions been changed as below, the headroom would be increased/(decreased) by:

As at December 31, 2016

	Environmental hygiene CGUs	Hazardous waste treatment CGUs	Total
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	–	55,315	55,315
Pre-tax discount rate increased by 0.5%	–	(51,417)	(51,417)
Five-year period growth rate increased by 1%	–	76,949	76,949
Five-year period growth rate decreased by 1%	–	(40,914)	(40,914)

As at December 31, 2017

	Environmental hygiene CGUs	Hazardous waste treatment CGUs	Total
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	27,785	54,437	82,222
Pre-tax discount rate increased by 0.5%	(26,209)	(50,921)	(77,130)
Five-year period growth rate increased by 1%	25,460	48,393	73,853
Five-year period growth rate decreased by 1%	(22,792)	(42,611)	(65,403)

As at December 31, 2018

	Environmental hygiene CGUs	Hazardous waste treatment CGUs	Total
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	34,061	85,395	119,456
Pre-tax discount rate increased by 0.5%	(31,979)	(79,696)	(111,675)
Five-year period growth rate increased by 1%	37,963	87,260	125,223
Five-year period growth rate decreased by 1%	(33,615)	(76,441)	(110,056)

Operating Concessions

In 2017, as a result of the acquisition of BE Urban Services PRC, we became operators of waste treatment plants under two operating concession arrangements with relevant governmental authorities in China under TOT model for our environmental hygiene services. In the first half of 2019, we became the operators of treatment plants under another operating concession arrangement. These operating concession arrangements involve us as a provider of environmental hygiene services on behalf of the relevant government agencies for a period of 25 years (the "**Operating Concession Periods**") and we will be paid for our services over the relevant periods of the operating concession arrangements at prices stipulated through a pricing mechanism. We are generally entitled to use the fixed assets provided by government agencies. However, relevant government agencies, acting as grantors, will control and regulate the scope of services that we must provide with the plant. Each of these operating concession arrangement is governed by a contract. The consideration paid by us for an operation concession arrangement is accounted for as an intangible asset (operating concession) and is subject to amortization. As of December 31, 2017 and 2018 and June 30, 2019, we recorded operation concessions of HK$68.8 million, HK$60.5 million and HK$125.5 million, respectively.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of (i) guarantee deposits held by customers; (ii) prepayments for acquisition of land use rights; (iii) prepayments for acquisition of property, plant and equipment; (iv) prepaid expenses; and (v) others, which mainly include tender deposits. The following table sets forth a breakdown of prepayments, deposits and other receivables for the period indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Prepaid expenses	1,168	27,772	42,498	50,475
Guarantee deposits held by customers	–	41,596	94,531	117,547
Prepayments for acquisition of property, plant and equipment	3,392	27,347	55,184	49,628
Prepayments for acquisition of land use rights	4,473	4,786	53,550	56,247
Prepayments for an equity investment	–	15,754	–	–
Prepayments for purchase of inventories	318	4,087	16,226	9,879
Others	4,209	31,425	51,141	52,623
Total	13,560	152,767	313,130	336,399

Our prepayments, deposits and other receivables increased significantly from HK$13.6 million as of December 31, 2016 to HK$152.8 million as of December 31, 2017, primarily due to (i) an increase of HK$41.6 million in guarantee deposits held by customers; (ii) an increase of HK$26.6 million in prepaid expenses; and (iii) an increase of HK$23.9 million in prepayments for acquisition of property, all reflecting our business expansion in environmental hygiene service sector as a result of our acquisitions in 2017. Our prepayments, deposits and other receivables increased from HK$152.8 million as of December 31, 2017 to HK$313.1 million as of December 31, 2018, primarily due to (i) an increase of HK$52.9 million in guarantee deposits held by customers as a result of our continuous business expansion in environmental hygiene service sector; (ii) an increase of HK$27.8 million in prepayments for acquisition of land use rights as a result of our subsidiaries' purchases of land use rights in 2018; and (iii) an increase of HK$19.7 million in others, which primarily related to guarantee deposits as a result of increased tenders we bid for. Our prepayments, deposits and other receivables increased from HK$313.1 million as of December 31, 2018 to HK$336.4 million as of June 30, 2019, primarily due to (i) an increase of HK$23.0 million in guarantee deposits held by customers and (ii) an increase of HK$8.0 million in prepaid expenses, both reflecting our continuous business expansion in environmental hygiene service sector.

Amount Due from Non-controlling Shareholders

As of December 31, 2016 and 2017, amount due from non-controlling shareholders primarily include amount due from Qingdao Xin Tian Di Investment Ltd. As of December 31, 2018 and June 30, 2019, amount due from non-controlling shareholders primarily include amount due from two other non-controlling shareholders. As of December 31, 2016, 2017 and 2018 and June 30, 2019, amounts due from non-controlling shareholders were HK$118.3 million, HK$131.1 million, HK$23.1 million and HK$22.9 million, respectively.

Available-for-sale Investment

We recorded available-for-sale investment of HK$15.8 million as of December 31, 2017, which represented our unlisted equity investment, stated at cost, in Sichuan Jiuzhou. We increased our equity investment in Sichuan Jiuzhou in 2018, holding 39% of its equity interest and made Sichuan Jiuzhou our joint venture.

Investment in a Joint Venture

We had an investment in a joint venture in the amount of HK$33.6 million and HK$32.8 million as of December 31, 2018 and June 30, 2019, respectively, which represented our investment in Sichuan Jiuzhou, in which we held 39% equity interest.

Contract Assets

Our contract assets represent our right to consideration in exchange for construction services in relation to our BTO projects for environmental hygiene services. We recorded contract assets of HK$49.1 million as of December 31, 2017 in relation to our construction of garbage transportation stations in Wuchuan for the local government agency in 2017. Our contract assets increased from HK$49.1 million as of December 31, 2017 to HK$68.3 million as of December 31, 2018 due to our newly initiated construction for garbage transportation stations in Yunnan for the local government agency in 2018. Our contract assets decreased from HK$68.3 million as of December 31, 2018 to HK$43.6 million as of June 30, 2019, primarily because RMB23.4 million was recognized as long term trade receivables because certain construction services had been provided.

Inventories

Our inventories primarily consist of (i) waste electronic appliances we procured for waste electrical and electronic equipment treatment business in 2016 and 2017, as well as (ii) hazardous waste used for our hazardous waste treatment business in 2018 and the six months ended June 30, 2019. The following table sets forth the components of our inventories as of the date indicated and the average inventory turnover days for the period indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Raw materials	53,761	44,487	66,483	39,735
Finished goods	15,623	9,954	20,499	22,941
Total inventories	69,384	54,441	86,982	62,676
Average inventory turnover days(1)	1,321.0	33.7	16.2	12.5
Average inventory turnover days of continuing operations(2)	27.6	3.6	11.2	12.5

Notes:

(1) Average inventories equal inventories at the beginning of the period plus inventories at the end of the period, divided by two. Average inventory turnover days equal average inventories divided by cost of sales from continuing operations and then multiplied by the number of days in the period.

(2) Average inventories of continuing operations equal inventories of continuing operations at the beginning of the period plus inventories at the end of the period, divided by two. Average inventory turnover days of continuing operations equal average inventories of continuing operations divided by cost of sales from continuing operations and then multiplied by the number of days in the period.

Our inventories as of December 31, 2016 were primarily attributable to Gansu Huayi. Our inventories decreased from HK$69.4 million as of December 31, 2016 to HK$54.4 million as of December 31, 2017, primarily due to increased sales volume of finished products in 2017 of Gansu Huayi. Our inventory turnover days in 2016 of 1,321.0 days was primarily affected by (i) the acquisition of Shandong Pingfu in December 2016, which did not incur any cost of sales in 2016 but resulted in inventories of HK$2.4 million being consolidated as of December 31, 2016; and (ii) the classification of Gansu Huayi as a discontinued operation on June 30, 2018, which resulted in all individual line items of profit and loss (including cost of sales) during Track Record Period being retrospectively replaced by a single line of "Profit/(loss) from a discontinued operation" but the individual line items of assets and liabilities (including inventories of HK$67.0 million) were not affected as our Group had no intention to dispose of Gansu Huayi as of December 31, 2016. Our average inventory turnover days of continuing operations decreased from 27.6 days in 2016 to 3.6 days in 2017, primarily because our rapid business expansion in 2017, which was mainly driven by the environmental hygiene services business and resulted in significant increase in cost of sales, did not result in any significant increase in inventory level, as environmental hygiene services by nature was not required to maintain a significant level of inventory. Our inventories increased from HK$54.4 million as of December 31, 2017 to HK$87.0 million as of December 31, 2018, primarily due to our acquisitions for hazardous waste treatment business in 2018. Our average inventory turnover days decreased from 33.7 days in 2017 to 16.2 days in 2018, primarily due to the significant increase in cost of sales for environmental hygiene services in 2018 as a result of our business expansion. Our inventories decreased from HK$87.0 million as of December 31, 2018 to HK$62.7 million as of June 30, 2019, primarily because Ningxia Ruiyuan consumed more raw materials to produce alcohol related products, resulting in a decrease in raw materials. As a result of the decrease in our inventories, our average inventory turnover days decreased from 16.2 days in 2018 to 12.5 days for the six months ended June 30, 2019.

Our average inventory turnover days of continuing operations was 27.6 days and 3.6 days, respectively, for the years ended December 31, 2016 and 2017, as compared to our average inventory turnover days 1,321.0 days and 33.7 days, respectively, for the years ended December 31, 2016 and 2017, before deducting the inventories of Gansu Huayi. Our average inventory turnover days of continuing operations increased from 3.6 days for the year ended December 31, 2017 to 11.2 days for the year ended December 31, 2018, primarily as a result of the inventories of Ningxia Ruiyuan, which we acquired in March 2018. Our average inventory turnover days would have been 3.6 days and 6.0 days in 2017 and 2018, respectively, if we had not acquired Ningxia Ruiyuan.

As of October 31, 2019, HK$62.7 million, or 100.0% of our inventories as of June 30, 2019, were subsequently consumed.

Trade and Bills Receivables

Our trade and bills receivables primarily consist of (i) trade receivables, which represent receivables due from customers for services that we have provided; and (ii) bills receivables, which represent bank acceptance notes from customers. The following table sets forth a breakdown of our trade and bills receivables as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Trade receivables	76,758	380,159	651,938	852,810
Less: Impairment	–	(373)	(1,836)	(1,572)
	76,758	379,786	650,102	851,238
Bills receivables	764	456	6,779	10,271
Total	77,522	380,242	656,881	861,509

Trade Receivables

Our trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, which can be extended up to three months for major customers. Each customer has a maximum credit limit. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by our senior management. In view of the aforementioned and the fact that our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The following table sets forth the aging analysis and turnover days of our trade receivables as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Within one month	75,001	158,246	268,089	342,149
One to two months	668	68,488	128,172	150,541
Two to three months	852	54,567	79,822	104,570
Over three months	237	98,485	174,019	230,574
Unbilled	–	–	–	23,404
Total	76,758	379,786	650,102	851,238

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Average trade receivables turnover days(1)	705.4	91.3	85.0	92.1
Average trade receivables, bill receivables and contract assets turnover days(2)	700.1	85.6	77.2	82.5
Average trade receivables, bill receivables, contract assets and environmental decommissioning fees receivable (the "**Average Receivables**") turnover days(3)	865.0	106.1	95.3	101.6
Average trade receivables turnover days of continuing operations(4)	139.1	72.2	82.2	92.1

Notes:

(1) Average trade receivables equal trade receivables at the beginning of the period plus trade receivables at the end of the period, divided by two. Average trade receivables turnover days equal average trade receivables divided by revenue from continuing operations and then multiplied by the number of days in the period.

(2) Average trade receivables, bill receivables and contract assets equal trade receivables, bill receivables and contract assets at the beginning of the period plus trade receivables, bill receivables and contract assets at the end of the period, divided by two and the calculation excludes the relevant trade receivables, bill receivables and contract assets associated with BTO, TOT and BOO operations. Average trade receivables, bill receivables and contract assets turnover days equal average trade receivables, bill receivables and contract assets divided by revenue from continuing operations and then multiplied by the number of days in the period.

(3) The Average Receivables equal the average of trade receivables, bill receivables, contract assets and environmental decommissioning fees receivable (the "**Receivables**") at the beginning of the period and the Receivables at the end of the period and the calculation excludes the relevant trade receivables, bill receivables and contract assets associated with BTO, TOT and BOO operations. Turnover days of the Average Receivables equal the result of the Average Receivables divided by revenue from continuing operations, and then multiplied by the number of days in the respective period.

(4) Average trade receivables of continuing operations equal trade receivables of continuing operations at the beginning of the period plus trade receivables of continuing operations at the end of the period, divided by two. Average trade receivables turnover days of continuing operations equal average trade receivables of continuing operations divided by revenue from continuing operations and then multiplied by the number of days in the period.

Our trade receivables increased significantly from HK$76.8 million as of December 31, 2016 to HK$379.8 million as of December 31, 2017, primarily due to an increase in the environmental hygiene service projects that we operated as a result of our acquisitions in 2017. Our trade receivable turnover days in 2016 of 705.4 days was primarily affected by (i) the acquisition of Qingdao BE, in particular its wholly-owned subsidiary, Shandong Pingfu, in December 2016, which did not generate any revenue in 2016 but resulted in trade receivables of HK$31.1 million being consolidated as of December 31, 2016; and (ii) the classification of Gansu Huayi as a discontinued operation on June 30, 2018, which resulted in all individual line items of profit and loss (including revenue) during Track Record Period being retrospectively replaced by a single line of "Profit/(loss) from a discontinued operation" but the individual line items of assets and liabilities (including trade receivable of HK$45.7 million) were not affected as our Group had no intention to dispose of Gansu Huayi as of December 31, 2016. Our trade receivable turnover days would have been 66.3 days in 2016 if we had not acquired Qingdao BE, in particular its wholly-owned subsidiary, Shandong Pingfu. Our trade receivables increased significantly from HK$379.8 million as of December 31, 2017 to HK$650.1 million as of as of December 31, 2018, primarily due to (i) our continuous business expansion in environmental hygiene service sector; and (ii) our acquisitions for hazardous waste treatment business in 2018. Our average trade receivables turnover days remained relatively stable at 85.0 days in 2018 compared with 91.3 days in 2017, primarily due to we normally collect receivables from our customers for our environmental hygiene services on a three-month basis. Our trade receivables increased from HK$650.1 million as of as of December 31, 2018 to HK$851.2 million as of June 30, 2019, primarily due to our continuous business expansion in environmental hygiene service sector and hazardous waste treatment business sector. Our average trade receivables turnover days remained relatively stable at 92.1 days for the six months ended June 30, 2019 compared with 85.0 days for the year ended December 31, 2018, primarily because we normally collect receivables from our customers for our environmental hygiene services on a three-month basis. Our average trade receivables, bill receivables and contract assets turnover days was 700.1 days for the year ended December 31, 2016, primarily as a result of (i) the acquisition of Qingdao BE; and (ii) the classification of Gansu Huayi as a discontinued operation, as disclosed above. Our average trade receivables, bill receivables and contract assets turnover days remained relatively stable at 85.6 days, 77.2 days and 82.5 days, respectively, for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019. Similarly, our turnover days of the Average Receivables reached 865.0 days for the year ended December 31, 2016 primarily for the same reasons as disclosed above. For the years ended December 31, 2017 and 2018, and the six months ended June 30, 2019, turnover days of the Average Receivables remained relatively stable at 106.1 days, 95.3 days and 101.6 days, respectively. Our average trade receivables turnover days of continuing operations was 139.1 days for the year ended December 31, 2016, primarily as a result of the acquisition of Qingdao BE. Our average trade receivables turnover days of continuing operations remained relatively stable at 72.2 days, 82.2 days and 92.1 days, respectively, for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019.

As of December 31, 2016 and 2017, our trade receivables that were past due but not impaired amounted to HK$37.0 million and HK$204.7 million, respectively. Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record with us. Based on past experience, our Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there has not been a significant change in credit quality and the balances were still considered fully recoverable.

As of October 31, 2019, HK$759.7 million, or 89.3% of our trade receivables as of June 30, 2019 were subsequently settled.

Environmental Decommissioning Fees Receivable

The environmental decommissioning fees receivable represent government subsidies receivable from the PRC central government for the waste electrical and electronic equipment treatment business. As of December 31, 2016, 2017 and 2018 and June 30, 2019, our environmental decommissioning fees receivable amounted to HK$20.5 million, HK$82.3 million, HK$136.6 million and HK$175.1 million, respectively. To obtain such government grants, we submit the quantities and products dismantled to the government online system on a daily basis. The PRC central government would appoint independent auditors to perform fieldwork audit periodically, 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 PRC central government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the PRC central government would publish online confirmation notice on its website the quantities of dismantling appliance and environmental decommissioning fees would be paid to the entities after three years of the online publication. The entire confirmation process from performing the waste electrical and electronic equipment treatment business until the cash receipt from the PRC central government ranged from three to four years.

Other Tax Recoverable

Other tax recoverable represents VAT recoverable. Our other tax recoverable increased from HK$0.4 million as of December 31, 2016 to HK$28.5 million as of December 31, 2017, primarily due to our purchase of mechanized cleaning vehicles in 2017, which led to an increase in the amount of our tax deductible. Our other tax recoverable increased from HK$28.5 million as of December 31, 2017 to HK$68.2 million as of December 31, 2018, primarily due to (i) our continuous purchase of mechanized cleaning vehicles in 2018; and (ii) our constructions in progress for hazardous waste treatment business, which both led to an increase in the amount of our tax deductible. Our other tax recoverable decreased from HK$68.2 million as of December 31, 2018 to HK$55.5 million as of June 30, 2019, primarily due to the completion of certain constructions for hazardous waste treatment business, which led to a decrease in the amount of our tax deductible.

Amount Due from Related Companies

Amount due from related companies primarily represents our unsecured and non-interest bearing balances with related companies, which are repayable on demand, except for (i) amount due from BE Zhongkecheng Environmental as of December 31, 2018, which represented consideration receivable in respect of the disposal of our equity interest in Gansu Huayi in 2018; and (ii) the loans we extended to Gansu Huayi and Beijing Enterprise Municipal Engineering Shuyang Ltd. in 2018 as disclosed in "— Related Party Transactions — Interest Income," which represented our short term interest-bearing loans extended to these parties. Such amounts were non-trade in nature. We had settled such amounts as of the Latest Practicable Date. As of June 30, 2019, we recorded amount due from related companies of HK$39.2 million, which primarily included amount due from Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. As of December 31, 2018, we recorded amount due from related companies of HK$472.0 million, which primarily included amount due from BE Zhongkecheng Environmental of HK$267.5 million. Such balance was repaid in January 2019. As of December 31, 2017, we recorded amount due from related companies of HK$29.0 million, which primarily included amount due from Yunnan Beijing Enterprises Environmental Services Ltd. of HK$27.5 million. Such balance was repaid in 2018.

Cash and Cash Equivalents

Our cash and cash equivalents consist of (i) cash and bank balances dominated in Renminbi and HK dollars; (ii) deposits with a non-bank financial institution. Such deposits are interest bearing and repayable on demand, partially offset by pledged deposits that were primarily time deposits of Chongqing Binnan. The following table sets forth the components of our cash and cash equivalents as of the date indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Cash and bank balances:				
Placed in banks	405,306	635,880	638,407	831,666
Placed in a financial institution	–	11,585	–	–
Time deposits:				
Placed in banks	–	–	102,717	57,977
Total cash and bank balances	405,306	647,465	741,124	896,643
Less: Pledged deposits	–	(16,351)	(6,810)	(3,117)
Cash and cash equivalents	405,306	631,114	734,314	886,526

Trade and Bills Payables

Our trade and bills payables consist of (i) trade payables, which mainly includes payables due to third parties for the procurement of raw materials used for our hazardous waste treatment business and fuel used by our mechanized vehicles and other consumables used for environmental hygiene services; and (ii) bills payables, which primarily represent bank acceptance notes to suppliers for the procurement of mechanized vehicles used for our environmental hygiene services. The following table sets forth a breakdown of our trade and bills payables as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Trade payables	27,461	59,922	115,118	108,112
Bills payables	–	16,351	6,810	3,117
Total	27,461	76,273	121,928	111,229

Trade Payables

The following table sets forth the aging analysis and turnover days of our trade payables as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
Within one month	11,169	28,998	61,005	72,533
One to two months	1,689	9,603	13,304	9,226
Two to three months	2,143	2,768	6,566	2,812
Over three months	12,460	18,553	34,243	23,541
Total	27,461	59,922	115,118	108,112
Average trade payables turnover days(1)	346.9	23.8	20.1	18.6
Average trade payables turnover days of continuing operations(2)	229.6	19.2	19.2	18.6

Notes:

(1) Average trade payables equal trade payables at the beginning of the period plus trade payables at the end of the period, divided by two. Average trade payables turnover days equal average trade payables divided by cost of sales from continuing operations and then multiplied by the number of days in the period.

(2) Average trade payables of continuing operations equal trade payables of continuing operations at the beginning of the period plus trade payables of continuing operations at the end of the period, divided by two. Average trade payables turnover days of continuing operations equal average trade payables of continuing operations divided by cost of sales from continuing operations and then multiplied by the number of days in the period.

Our trade payables increased from HK$27.5 million as of December 31, 2016 to HK$59.9 million as of December 31, 2017, and further increased to HK$115.1 million as of December 31, 2018, reflecting increases in level of procurement and amounts due to suppliers as a result of our continuous business expansion in both environmental hygiene service sector and hazardous waste treatment sector. Our trade payables decreased from HK$115.1 million as of December 31, 2018 to HK$108.1 million as of June 30, 2019, primarily due to our disposal of Jiaxing Innovative Environmental Technology Co., Ltd. and Guizhou Cenxiang Resources Technology Co., Ltd. in the first half of 2019, which resulted in a decrease in the amount of our trade payables. Our trade payable turnover days in 2016 of 346.9 days was primarily affected by (i) the acquisition of Shandong Pingfu in December 2016, which did not incur any cost of sales in 2016 but resulted in trade payables of HK$18.0 million being consolidated as of December 31, 2016; and (ii) the classification of Gansu Huayi as a discontinued operation on June 30, 2018, which resulted in all individual line items of profit and loss (including cost of sales) during Track Record Period being retrospectively replaced by a single line of "Profit/(loss) from a discontinued operation" but the individual line items of assets and liabilities (including trade payable of HK$9.5 million) were not affected as our Group had no intention to dispose of Gansu Huayi as of December 31, 2016. Our average trade payables turnover days decreased from 23.8 days for the year ended December 31, 2017 to 20.1 days for the year ended December 31, 2018, primarily due to we generally settle payables with our suppliers for environmental hygiene services in a comparatively shorter period. Our cost of sales for environmental hygiene services increased significantly in 2018 as a result of our business expansion. Our average trade payables turnover days remained relatively stable at 18.6 days for the six months ended June 30, 2019 compared with 20.1 days for the year ended December 31, 2018. Our average trade payables turnover days of continuing operations was 229.6 days for the year ended December 31, 2016, primarily as a result of (i) the acquisition of Shandong Pingfu; and (ii) the classification of Gansu Huayi as a discontinued operation as disclosed above. Our average trade payables turnover days of continuing operations remained relatively stable at 19.2 days, 19.2 days and 18.6 days, respectively, for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019.

As of October 31, 2019, HK$108.1 million, or 100.0% of our trade payables as of June 30, 2019 were subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payable for acquisition of property, plant and equipment, which represents our payables due for our acquisitions; (ii) accruals, which primarily relate to provision for our social insurance fund and housing provident fund contributions and listing expenses; (iii) lease liabilities, which represent payment for the right to use underlying assets, and are measured at the present value of the lease payments to be made over the lease term; (iv) contract liabilities, which represent our obligation to render services to customers for which we have received considerations from customers; and (v) other payables, which mainly include payables for acquisitions. The following table sets forth a breakdown of our other payables and accruals as of the date indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Accruals	11,395	139,544	193,340	203,504
Contract liabilities	2,990	20,225	49,688	56,713
Lease liabilities	5,616	59,982	111,335	180,096
Payable for acquisition of property, plant and equipment	62,579	276,448	386,802	333,217
Other payables	40,735	79,576	282,609	221,775
Total	123,315	575,775	1,023,774	995,305

Our other payables and accruals significantly increased from HK$123.3 million as of December 31, 2016 to HK$575.8 million as of December 31, 2017, primarily due to (i) an increase of HK$213.8 million in payable for acquisition of property, plant and equipment; (ii) an increase of HK$128.1 million in accruals as a result of an increase in our employee numbers for environmental hygiene services; and (iii) an increase of HK$54.4 million in lease liabilities as a result of more equipment and office premises leased for our environmental hygiene services, all resulted from our acquisitions in 2017. Our other payables and accruals increased from HK$575.8 million as of December 31, 2017 to HK$1,023.8 million as of December 31, 2018, primarily due to (i) an increase of HK$203.0 million in other payables; and (ii) an increase of HK$110.4 million in payable for acquisition of property, plant and equipment, which both resulted from our acquisitions in 2018. Our other payables and accruals decreased from HK$1,023.8 million as of December 31, 2018 to HK$995.3 million as of June 30, 2019, primarily due to (i) a decrease of HK$60.8 million in other payables, primarily as a result of the amount of HK$52.1 million paid in relation to our acquisition of Ningxia Ruiyuan; and (ii) a decrease of HK$53.6 million in payable for acquisition of property, plant and equipment as a result of the amount of HK$52.1 million paid to purchase equipment used for our environmental hygiene services during the six months ended June 30, 2019; partially offset by an increase of HK$68.8 million in lease liabilities as a result of more equipment and office premises leased for our environmental hygiene services during the six months ended June 30, 2019.

Other Taxes Payable

Our other taxes payable primarily consist of VAT. Our other taxes payable increased from HK$4.5 million as of December 31, 2016 to HK$23.1 million as of December 31, 2017, mainly due to an increase of HK$16.3 million in VAT as a result of an increase in our revenue brought by our acquisitions completed in 2017. Our other taxes payable increased from HK$23.1 million as of December 31, 2017 to HK$26.3 million as of December 31, 2018, primarily due to our further business expansion in both environmental hygiene service sector and hazardous waste treatment sector in 2018. Our other taxes payable remained relatively stable at HK$25.8 million as of June 30, 2019 compared with HK$26.3 million as of December 31, 2018.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(in thousands of HK$)			
VAT	3,263	19,601	25,141	20,632
Land use tax	609	20	134	283
Others	584	3,462	1,064	4,843
Total	4,456	23,083	26,339	25,758

Amount Due to Related Companies and Shareholders

Amount due to related companies and shareholders represents unsecured and non-interest bearing balances due to such parties. These balances are all repayable on demand. The following table sets forth particulars of our amount due to related parties and shareholders as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	(HK$ in thousands)			
Amount due to related companies				
Beijing Enterprises Water (PRC) Investment Limited	22,588	23,321	21,632	24,346
Beijing Hua Cheng Xin Chuang Environmental Technology Limited	–	6,469	6,473	–
Beijing Enterprises Shu Yang Municipal Construction Limited	–	–	3,150	702
Others	621	791	1,448	2,941
	23,209	30,581	32,703	27,989
Amount due to shareholders				
BEWG	–	157,500	–	–
Zhihua	–	16,320	–	–
AID	–	148,500	–	–
Maolin	–	8,160	–	–
	–	330,480	–	–
	23,209	361,061	32,703	27,989

As of December 31, 2016, 2017 and 2018 and June 30, 2019, amount due to related companies and shareholders amounted to HK$23.2 million, HK$361.1 million, HK$32.7 million and HK$28.0 million, respectively. Such amounts were non-trade in nature. We had settled such amounts as of the Latest Practicable Date.

Amount Due to Non-controlling Shareholders

Amount due to non-controlling shareholders primarily includes unsecured and non-interest bearing loans due to such parties. The following table sets forth particulars of our amount due to non-controlling shareholders for as of the date indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(HK$ in thousands)			
Due to non-controlling shareholders				
Qingdao Xin Tian Di Investment Limited	73,987	79,171	–	–
Qingdao Xin Tian Di Environmental Protection Limited	–	3,074	576	–
Qingdao Xin Tian Di Ecological Cycle Limited	–	13,159	–	–
Han Qing Jie	–	2,367	–	–
Shou Guang Fu Kang Pharmaceuticals Limited	5,342	4,980	1,922	–
Shou Guang Dong Cheng Water Group Limited	10,173	–	–	–
Shao Xing Hua	7,712	–	–	–
Guo Lei	2,056	8,252	–	–
Others	11	154	–	–
	99,281	111,157	2,498	–

As of December 31, 2016, 2017 and 2018, amount due to non-controlling shareholders amounted to HK$99.3 million, HK$111.2 million and HK$2.5 million, respectively. As of June 30, 2019, we did not have amount due to non-controlling shareholders.

Deferred Income

Our deferred income mainly represents government subsidies received in respect of our construction of hazardous waste treatment facilities and purchase of certain land in the PRC. These subsidies are recognized in profit or loss on the straight-line basis over the expected useful lives of the relevant assets. As of December 31, 2016, 2017 and 2018 and June 30, 2019, deferred income amounted to HK$111.7 million, HK$115.3 million, HK$140.7 million and HK$148.1 million, respectively.

Provision for Major Overhaul

Pursuant to the PRC laws and regulations, we are obliged to prevent leakage of hazardous and harmful substances after the landfill is full or at the end of the service concession period. We recognize the expenditure that would be required to settle such obligation at the best estimate as our provision for major overhaul. As of December 31, 2017 and 2018 and June 30, 2019, we recorded provision for major overhaul of HK$5.0 million, HK$5.0 million and HK$5.1 million, respectively. We discount the provision for major overhaul over the passage of time and recognize the increase of such discount into finance costs. See "— Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Finance Costs."

Net Current Assets

The following table sets forth details of our current assets and current liabilities as of the date indicated.

	As of December 31,			As of June 30,	As of October 31,
	2016	**2017**	**2018**	**2019**	**2019**
					(unaudited)
	(in thousands of HK$)				
CURRENT ASSETS					
Inventories	69,384	54,441	86,982	62,676	51,682
Trade and bills receivables	77,522	380,242	656,881	838,105	765,559
Environmental decommissioning fees receivable	20,503	82,321	136,551	175,137	208,662
Contract assets	–	–	5,684	4,049	5,079
Income tax recoverable	–	1,375	–	–	–
Other tax recoverable	410	28,537	68,162	55,484	61,407
Prepayments, deposits and other receivables	5,695	110,812	161,038	186,745	101,755
Due from related companies	–	29,041	472,005	39,165	5,790
Due from non-controlling shareholders	876	131,091	23,125	22,945	22,427
Pledged deposits	–	16,351	6,810	3,117	13,351
Cash and cash equivalents	405,306	631,114	734,314	886,526	760,673
Total current assets	579,696	1,465,325	2,351,552	2,273,949	1,996,385

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
					(unaudited)
	(in thousands of HK$)				
CURRENT LIABILITIES					
Trade and bills payables	27,461	76,273	121,928	111,229	82,794
Other payables and accruals	115,691	523,577	938,088	834,708	622,689
Other taxes payable	4,456	23,083	26,339	25,758	17,753
Income tax payable	–	14,136	24,959	38,681	39,763
Due to related companies and shareholders	23,209	361,061	32,703	27,989	2,931
Due to non-controlling shareholders	99,281	111,157	2,498	–	–
Interest-bearing bank and other borrowings	203,272	329,529	306,244	572,278	540,690
Total current liabilities	473,370	1,438,816	1,452,759	1,610,643	1,306,620
NET CURRENT ASSETS	106,326	26,509	898,793	663,306	689,765

Our net current assets increased from HK$663.3 million as of June 30, 2019 to HK$689.8 million as of October 31, 2019, primarily due to (i) a decrease of HK$72.5 million in trade and bills receivables due to the net effect of business growth and disposal of Chongqing Binnan; and (ii) a decrease of HK$212.0 million in other payables and accruals due to the combined effect of our disposal of Chongqing Binnan and the settlement of payables on purchase of fixed assets.

Our net current assets decreased from HK$898.8 million as of December 31, 2018 to HK$663.3 million as of June 30, 2019, primarily due to (i) a decrease of HK$432.8 million in amount due from related companies; and (ii) an increase of HK$266.0 million in interest-bearing bank and other borrowings; partially offset by (i) an increase of HK$181.2 million in trade and bills receivables as a result of our continuous business expansion in environmental hygiene service sector and hazardous waste treatment business sector; and (ii) an increase of HK$152.2 million in cash and cash equivalents.

Our net current assets increased from HK$26.5 million as of December 31, 2017 to HK$898.8 million as of December 31, 2018, primarily due to (i) an increase of HK$443.0 million in amount due from related companies; (ii) an increase of HK$276.7 million in trade and bills receivables mainly as a result of our continuous business expansion; and (iii) a decrease of HK$328.4 million in amount due to related companies and shareholders; partially offset by an increase of HK$414.5 million in other payables and accruals.

Our net current assets decreased from HK$106.3 million as of December 31, 2016 to HK$26.5 million as of December 31, 2017, primarily due to (i) an increase of HK$407.9 million in other payables and accruals as a result of our acquisitions in 2017; (ii) an increase of HK$337.9 million in amount due to related companies and shareholders; and (iii) an increase of HK$126.2 million in interest-bearing bank and other borrowings; partially offset by (i) an increase of HK$302.7 million in trade and bills receivable as a result of our acquisitions in 2017; (ii) an increase of HK$225.8 million in cash and cash equivalent; and (iii) an increase of HK$130.2 million in amount due from non-controlling shareholders.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DISCONTINUED OPERATION

The inventory of Gansu Huayi as of December 31, 2017 decreased from the amount as of December 31, 2016, primarily because of the increased sales volume of finished products in 2017. The amount further significantly decreased to HK$13.2 million as of the date of its disposal, primarily because of a provision for the inventory of Gansu Huayi made in 2018.

The trade receivables of Gansu Huayi as of December 31, 2017 significantly decreased from the amount as of December 31, 2016, primarily because it enhanced its internal control over its collection of trade receivables. The amount further decreased to HK$8.3 million as of the date of its disposal, primarily because Gansu Huayi reduced its actual treatment volume in 2018 to reduce the potential loss. See "— Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Discontinued Operation — Description of Certain Profit or Loss Items of the Discontinued Operation — Revenue."

The cash and cash equivalents of Gansu Huayi as of December 31, 2017 decreased from the amount as of December 31, 2016. The amount further significantly decreased to HK$2.4 million as of the date of its disposal. The decreases were primarily because Gansu Huayi continued to incur expenses for its operations, while it did not receive government subsidies in respect of dismantling services it provided during the Track Record Period. For details, see "— Description of Certain Consolidated Statement of Profit or Loss and Other Comprehensive Income Items — Description of Certain Profit or Loss Items of the Discontinued Operation."

LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our liquidity requirements arose principally from meeting our working capital requirements. During the Track Record Period, we have financed our operations primarily through bank loans and other borrowings. Our cash and cash equivalents amounted to HK$405.3 million, HK$631.1 million, HK$734.3 million and HK$886.5 million as of December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of bank and other borrowings and net proceeds from the Global Offering. Our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus.

Cash Flows

The following table sets forth our consolidated statements of cash flows for the period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Operating cash flows before movements in working capital	(44,663)	62,549	436,877	350,374
Net cash flows generated from/(used in) operating activities	(197,362)	(25,771)	(51,444)	201,273
Net cash flows generated from/(used in) investing activities	(225,246)	(33,701)	(756,681)	24,007
Net cash flows generated from/(used in) financing activities	807,765	254,694	859,781	(80,104)
Net increase in cash and cash equivalents	385,157	195,222	51,656	145,176
Cash and cash equivalents at the beginning of year	7,933	405,306	631,114	677,249
Effect of foreign exchange rate changes, net	12,216	30,586	(5,521)	6,124
Cash and cash equivalents at the end of year/period	405,306	631,114	677,249	828,549

Net Cash Generated from/(used in) Operating Activities

Our net cash generated from operating activities for the six months ended June 30, 2019 amounted to HK$201.2 million, primarily consists of cash generated from operations of HK$237.9 million and corporate income tax paid of HK$36.6 million. Our operating cash inflows before movements in working capital was HK$350.4 million for the six months ended June 30, 2019. The HK$112.5 million negative adjustment for movements in working capital primarily reflected (i) an increase of HK$219.7 million in trade and bills receivables as a result of our business growth; (ii) an increase of HK$36.1 million in environmental decommissioning fees receivable; and (iii) an increase of HK$28.8 million in prepayments, deposits and other receivables; partially offset by (i) an increase of HK$120.0 million in other payables and accrual as a result of our payment in relation to the acquisition of Ningxia Ruiyuan and equipment used for our environmental hygiene services; (ii) an increase of HK$17.6 million in deferred income as a result of our business growth; and (iii) a decrease of HK$26.4 million in contract assets.

Our net cash used in operating activities for the year ended December 31, 2018 amounted to HK$51.4 million, primarily consists of cash used in operations of HK$16.8 million and corporate income tax paid of HK$34.7 million. Our operating cash inflows before movements in working capital was HK$436.9 million in 2018. The HK$453.7 million negative adjustment for movements in working capital primarily reflected (i) an increase of HK$276.5 million in trade and bills receivables, which was consistent with the continuous business expansion in environmental hygiene service sector and hazardous waste treatment business sector; (ii) an increase of HK$61.1 million in prepayments, deposits and other receivables, which was consistent with the continuous business expansion in environmental hygiene service sector and hazardous waste treatment business sector; and (iii) an increase of HK$58.0 million in environmental decommissioning fees receivable from the PRC central government for the waste electrical and electronic equipment treatment business, which generally take three to four years for the relevant government authorities to complete the confirmation process and make payment.

Our net cash used in operating activities for the year ended December 31, 2017 amounted to HK$25.8 million, primarily consists of cash used in operations of HK$18.7 million and corporate income tax paid of HK$7.1 million. Our operating cash inflows before movements in working capital was HK$62.5 million in 2017. The HK$81.2 million negative adjustment for movements in working capital primarily reflected (i) an increase of HK$78.6 million in trade and bills receivables as a result of our acquisitions in 2017; (ii) an increase of HK$76.4 million in environmental decommissioning fees receivables as a result of an increase in our government subsidies for our waste electrical and electronic equipment treatment services; (iii) an increase of HK$47.4 million in contract assets; and (iv) an increase of HK$38.5 million in prepayments, deposits and other receivables as a result of our acquisitions in 2017; partially offset by an increase of HK$115.4 million in other payables and accruals as a result of our acquisitions in 2017.

Our net cash used in operating activities for the year ended December 31, 2016 amounted to HK$197.4 million, representing cash used in operations of HK$197.4 million. Our operating cash outflows before movements in working capital was HK$44.7 million in 2016. The HK$152.7 million negative adjustment for movements in working capital primarily reflected (i) a decrease of HK$87.5 million in other payables; (ii) an increase of HK$30.4 million in trade and bills receivables; (iii) an increase of HK$27.4 million in inventories; and (iv) an increase of HK$19.7 million in environmental decommissioning fees receivables.

Our net cash flows used in operating activities in the three years ended December 31, 2018 during the Track Record Period was primarily due to the longer time we took to collect trade receivables from our customers for environmental hygiene services, which are primarily local government agencies in the PRC. This was consistent with the rise in trade receivables aged over three months as a percentage of total trade receivables (December 31, 2016: 0.3%; December 31, 2017: 25.9%; December 31, 2018: 26.8%). Nevertheless, our Directors were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of our trade receivables as there has not been a significant change in credit quality and the balances were considered fully recoverable. For the six months ended June 30, 2019, we recorded net cash flows used in operating activities of approximately HK$201.3 million.

Net Cash Generated from/(used in) Investing Activities

Our net cash generated from investing activities for the six months ended June 30, 2019 amounted to HK$24.0 million, primarily attributable to (i) repayments from related companies and non-controlling shareholders of HK$433.0 million; and (ii) proceeds from disposal of property, plant and equipment of HK$43.2 million; partially offset by (i) purchases of property, plant and equipment of HK$330.7 million; (ii) addition of an operating concession of HK$67.8 million; and (iii) settlement of acquisition consideration payable of HK$52.2 million.

Our net cash used in investing activities in 2018 amounted to HK$756.7 million, primarily attributable to (i) purchases of items of property, plant and equipment of HK$506.9 million; (ii) advances to related companies and non-controlling shareholders of HK$207.0 million; and (iii) acquisition of subsidiaries of HK$101.9 million; partially offset by repayments from related companies and non-controlling shareholders of HK$155.6 million.

Our net cash used in investing activities in 2017 amounted to HK$33.7 million, primarily attributable to (i) purchases of property, plant and equipment of HK$195.2 million; and (ii) advances to related companies and non-controlling shareholders of HK$61.7 million; partially offset by acquisition of subsidiaries of HK$253.6 million.

Our net cash used in investing activities in 2016 amounted to HK$225.2 million, primarily attributable to (i) advances to related companies and non-controlling shareholders of HK$122.6 million; (ii) acquisition of subsidiaries of HK$47.5 million; and (iii) purchases of property, plant and equipment of HK$44.2 million.

Net Cash Generated from/(used in) Financing Activities

Our net cash used in financing activities for the six months ended June 30, 2019 amounted to HK$80.1 million, primarily attributable to (i) repayments of bank and other borrowings of HK$151.4 million; and (ii) principal portion of lease payments of HK$16.9 million; partially offset by new bank and other borrowings of HK$140.0 million.

Our net cash generated from financing activities in 2018 amounted to HK$859.8 million, primarily attributable to (i) new bank and other borrowings of HK$1,010.9 million; and (ii) capital contribution by the then equity owners of HK$119.5 million; partially offset by (i) repayments of bank and other borrowings of HK$155.3 million; and (ii) repayments to related companies and non-controlling shareholders of HK$99.1 million.

Our net cash generated from financing activities in 2017 amounted to HK$254.7 million, primarily attributable to (i) new bank and other borrowings of HK$807.9 million; and (ii) advances from related companies and non-controlling shareholders of HK$357.1 million; partially offset by (i) repayments to related companies and non-controlling shareholders of HK$474.3 million; and (ii) repayments of bank and other borrowings of HK$446.7 million.

Our net cash generated from financing activities in 2016 amounted to HK$807.8 million, primarily attributable to (i) capital contribution by the then equity owners of HK$900.0 million; and (ii) new bank and other borrowings of HK$202.9 million; partially offset by distribution to the then equity holders of HK$283.4 million.

INDEBTEDNESS

Bank Loans and Other Loans

The following table sets forth the components of our bank loans and other loans as of the date indicated.

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019(1)
	(in thousands of HK$)				
Secured bank loans	8,943	28,711	402,734	586,629	547,489
Unsecured bank loans	104,894	532,795	902,277	610,399	608,666
Secured other loans	–	18,793	–	68,717	58,391
Unsecured other loans	89,435	116,522	50,136	10,464	10,227
	203,272	696,821	1,355,147	1,276,209	1,224,773

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019(1)
	(in thousands of HK$)				
Analyzed into:					
Bank loans repayable:					
Within one year or on demand	113,837	210,125	269,453	542,314	520,176
In the second year	–	5,981	458,873	240,889	239,176
In the third to fifth years, inclusive	–	316,689	421,471	277,410	273,438
Beyond five years	–	28,711	155,214	136,415	123,365
	113,837	561,506	1,305,011	1,197,028	1,156,155

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019(2)
	(in thousands of HK$)				
Analyzed into:					
Other loans repayable:					
Within one year or on demand	89,435	119,404	36,791	29,964	20,514
In the second year	–	–	–	23,382	22,853
In the third to fifth years, inclusive	–	15,911	12,326	25,835	25,251
Beyond five years	–	–	1,019	–	–
	89,435	135,315	50,136	79,181	68,618

Notes (1) and (2):

Because we have disposed of Chongqing Binnan, indebtedness sets forth in this column does not include the indebtedness attributable to Chongqing Binnan.

The following table sets for the effective interest rates per annum of our bank loans and other loans as of the date indicated.

	As of December 31,			As of June 30,	As of October 31,
	2016	2017	2018	2019	2019
Bank loans:					
Secured	8.6%	4.1%-5.0%	4.0%-5.5%	4.9%-5.6%	4.8%-5.6%
Unsecured	4.4%-4.8%	2.4%-6.1%	3.8%-7.4%	4.4%-6.0%	4.2%-6.0%
Other loans:					
Secured	–	9.8%	5.7%	4.8%	4.8%
Unsecured	8.0%	4.6%-8.0%	4.6%-7.0%	4.8%-7.0%	4.8%-7.0%

As of October 31, 2019, we had unutilized banking facilities in the amount of HK$7.0 million.

Bank Loans

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our total bank loans amounted to HK$113.8 million, HK$561.5 million, HK$1,305.0 million and HK$1,197.0 million, respectively. As of October 31, 2019, our total bank loans amounted to HK$1,156.2 million. Our bank loan agreements contain certain financial and non-financial covenants commonly found in lending arrangements with commercial banks in China. For example, certain of our subsidiaries are prohibited from merger, restructuring, spin-off, material asset transfer, liquidation, change of control, reduction of registered capital, change of scope of business, declaration of dividends and incurring further indebtedness without the prior consent of the relevant banks. Certain of our borrowing agreements also contain cross default provisions. We may not be able to comply with all the restrictive covenants in the future. See "Risk Factors — Risks Relating to Our Business and Industry — We have incurred negative cash flows from operations during the Track Record Period, and our ability to obtain sufficient funding has a significant impact on our business, financial condition, results of operations and prospects." During the Track Record Period and up to the Latest Practicable Date, we had not defaulted on any obligation in any material respect under our bank loan agreements and we had not experienced any material difficulties in obtaining bank loans.

Other Loans

As of December 31, 2016, 2017 and 2018 and June 30, 2019, our other loans amounted to HK$89.4 million, HK$135.3 million, HK$50.1 million and HK$79.2 million, respectively. As of October 31, 2019, our other loans amounted to HK$68.6 million. Our other loans represent our short-term loans with a non-bank financial institution. Our loan agreement with this financial institution do not contain any covenant. During the Track Record Period and as of the Latest Practicable Date, we had not defaulted on any obligation in any material respect under these loan agreements.

Except as disclosed in the foregoing, since June 30, 2019, and up to the date of this Prospectus, there has been no material change to our indebtedness. As of October 31, 2019, being the latest practicable date for determining our indebtedness, except as otherwise disclosed in this Prospectus, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Lease Liabilities

Our lease liabilities represent payment for the right to use underlying assets, and are measured at the present value of the lease payments to be made over the lease term. Our lease liabilities increased from HK$5.6 million as of December 31, 2016 to HK$60.0 million as of December 31, 2017, HK$111.3 million as of December 31, 2018 and further to HK$180.1 million as of June 30, 2019, primarily as a result of more equipment and office premises leased for our environmental hygiene services. The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2016	**2017**	**2018**	**2019**	**2019**(2)
	(in thousands of HK$)				
Lease liabilities:					
Current	564	36,116	36,246	30,055	23,596
Non-current	5,052	23,866	75,089	150,041	96,688
	5,616	59,982	111,335	180,096	120,284

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a series of related party transactions with related companies and non-controlling shareholders. For details, see "— Amount Due from Non-controlling Shareholders", "— Amount Due from Related Companies", "— Amount Due to Non-controlling Shareholders", and "— Amount Due to Related Companies" in "— Description of Certain Consolidated Statement of Financial Position Items of Our Group" and Notes 27 and 46 to Appendix IA of this Prospectus. The following table sets forth our related party transactions for the period indicated.

	For the year ended December 31,			For the six months ended June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Interest expenses	2,882	7,426	4,573	74
Interest income	–	–	3,678	3,022
Cost of services provided	–	1,482	2,808	2,097
Gains on disposal of items on property, plant and equipment	–	–	–	588
Service income	–	–	–	3,139
Sales of goods	–	–	–	871

Interest Expenses

We incurred interest expenses during the Track Record Period as a result of our other loans with a related party. For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, interest expenses amounted to HK$2.9 million, HK$7.4 million, HK$4.6 million and HK$74,000, respectively.

Interest Income

For the year ended December 31, 2018, we recorded interest income of HK$3.7 million from our loans extended to Gansu Huayi and Beijing Enterprise Municipal Engineering Shuyang Ltd.. For the six months ended June 30, 2019, we recorded interest income of HK$3.0 million from our loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd..

We recorded interest income of HK$3.5 million and HK$2.6 million for the year ended December 31, 2018 and for the six months ended June 30, 2019, respectively, from our three short-term loans extended to Gansu Huayi. Two loans bore an interest rate of 10% per annum, and the other loan bore an interest rate of 8% per annum. All these loans were unsecured. Loan agreements for these loans did not contain any covenant.

We recorded interest income of HK$0.2 million and HK$0.2 million for the year ended December 31, 2018 and for the six months ended June 30, 2019, respectively, from our five short-term loans extended to Beijing Enterprise Municipal Engineering Shuyang Ltd. Three loans bore an interest rate of 8% per annum, and the other two loans bore an interest rate of 10% per annum. All these loans were unsecured. Loan agreements for these loans did not contain any covenant.

We recorded interest income of HK$0.2 million for the six months ended June 30, 2019 from our two short-term loans extended to Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd.. Both loans bore an interest rate of 10% per annum and were unsecured. Loan agreements for these loans did not contain any covenant.

As of the Latest Practicable Date, each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. had been repaid.

Our PRC Legal Advisors are of the view that, each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. is valid, and does not violate the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Provisions**"); the Property Law of the PRC (《中華人民共和國物權法》) (the "**PRC Property Law**"); and the Contract Law of the PRC (《中華人民共和國合同法》) (the "**PRC Contract Law**"), on the basis that:

According to the General Lending Provisions (《貸款通則》), loans shall not be provided by enterprises which are not financial institutions approved by the PBOC. However, pursuant to the Provisions, where a party concerned alleges that a contract of "private lending" between enterprises concluded for the need of production or business operation is valid, the people's court shall uphold the allegation, provided that none of the following circumstances has occurred when the contract is being entered into: (i) fraudulently obtaining the credit fund from a financial institution and relending the fund to the borrower at high interest rates, of which the borrower has or should have prior knowledge; (ii) relending the funds borrowed from another enterprise or raised from the lender's employees to the borrower for making profit, of which the borrower has or should have prior knowledge; (iii) lending funds to the borrower while the lender has or should have prior knowledge that the borrower will use the borrowed funds for illegal or criminal activities; (iv) violating public order and good morals; (v) whether either party enters into the contract by means of fraud or coercion, undermining national interests; (vi) where the parties concerned maliciously collude with each other, damaging the interests of the PRC, the collective or a third party; (vii) where the contract is an attempt to conceal illegal objectives under the disguise of a legitimate form; (viii) where social and public interests are undermined; or (ix) where mandatory provisions of PRC laws and administrative regulations are violated. Our Directors confirm that each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. does not fall under any of the aforesaid circumstances.

In addition, according to the Provisions, the interest rate agreed between the borrower and the lender shall not exceed the annual interest rate of 24%. The annual interest rate of each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. did not exceed 24%.

Further, pursuant to the Reply by the Responsible Person of the Supreme People's Court to Reporter's Questions in relation to the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (《<關於審理民間借貸案件適用法律若干問題的規定>答記者問》), the General Lending Provisions, as a departmental regulation, is subordinate to the PRC Property Law.

According to the PRC Property Law and the PRC Contract Law, property owners may deal with their properties freely, including the provision of loans. Therefore, our PRC Legal Advisors are of the view that the provision of each of the aforementioned loans to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. does not violate the PRC Property Law and the PRC Contract Law.

As a result, our PRC Legal Advisors are of the view that (i) each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. is valid under the Provisions, the PRC Property Law and the PRC Contract Law; notwithstanding that we, being a non-financial institution, extended such loans; and (ii) the likelihood that we would be penalized under the General Lending Provisions for each of the aforementioned loans extended to Gansu Huayi, Beijing Enterprise Municipal Engineering Shuyang Ltd. and Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd. is relatively low.

Cost of Services Provided

For the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, we engaged an associate of BEWG to provide waste treatment services. Relevant costs paid to the related party amounted to HK$1.5 million, HK$2.8 million and HK$2.1 million for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively.

Gain on Disposal of Items of Property, Plant and Equipment

In April 2019, we transferred a group of equipment for the provision of environmental hygiene services to a related party. As a result, we realized a gain on disposal of HK$0.6 million for the six months ended June 30, 2019.

Service Income

Immediately after the aforementioned transfer of equipment, we entered into an arrangement with the related party to provide entrusted operation for it. As a result, we realized service income of HK$3.1 million for the six months ended June 30, 2019.

It is the view of our Directors that each of the related party transactions set out in Note 46 in Appendix IA to this Prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

Sales of Goods

For the six months ended June 30, 2019, we sold uniforms and machinery for the provision of environmental hygiene services to a related company of BEWG. As a result, we generated revenue of HK$0.9 million from this one-off transaction.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments and arrangements.

CAPITAL COMMITMENTS

We had the following capital commitments as of the date indicated.

	As of December 31,			As of June 30,
	2016	**2017**	**2018**	**2019**
	(in thousands of HK$)			
Contracted, but not provided for:				
Construction in progress	151,760	185,877	401,606	235,619
Plant and machinery	–	192,409	212,196	154,269
Prepaid land lease	–	–	22,221	22,134
Total	151,760	378,286	636,023	412,022

CONTINGENT LIABILITIES

We did not have any outstanding loan capital issued or agreed to be issued, debt securities, debentures, bank overdrafts, liabilities under acceptances or acceptance credits or hire purchase commitments as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any third party.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Our principal financial instruments comprise interest-bearing bank and other borrowing and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for our operations. We have various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from our operations.

The main risks arising from our financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Our Board reviews and agrees policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Our exposure to interest rate risk relates principally to our bank loans with floating interest rates. We mitigate the risk by monitoring closely the movements in interest rates and reviewing our banking facilities regularly. We have not used any interest rate swap to hedge our exposure to interest rate risk.

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in our loss before tax
		HK$'000
For the year ended December 31, 2016		
HK$	100	(1,020)
HK$	(100)	1,020

	Increase/ (decrease) in basis points	Increase/ (decrease) in our loss before tax
		HK$'000
For the year ended December 31, 2017		
HK$	100	(4,500)
HK$	(100)	4,500

	Increase/ (decrease) in basis points	Increase/ (decrease) in our profit before tax
		HK$'000
For the year ended December 31, 2018		
HK$	100	(10,260)
HK$	(100)	10,260

	Increase/ (decrease) in basis points	Increase/ (decrease) in our profit before tax
		HK$'000
For the six months ended June 30, 2019		
HK$	100	(13,150)
HK$	(100)	13,150

Foreign Currency Risk

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

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

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

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

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	(in thousands of HK$)	
For the year ended December 31, 2016		
If HK$ strengthens against RMB by 5%	3,317	(31,802)
If HK$ weakens against RMB by 5%	(3,317)	31,802

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	(in thousands of HK$)	
For the year ended December 31, 2017		
If HK$ strengthens against RMB by 5%	4,833	(69,590)
If HK$ weakens against RMB by 5%	(4,833)	69,590

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	(in thousands of HK$)	
For the year ended December 31, 2018		
If HK$ strengthens against RMB by 5%	14,495	(131,153)
If HK$ weakens against RMB by 5%	(14,495)	131,153

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	(in thousands of HK$)	
For the six months ended June 30, 2019		
If HK$ strengthens against RMB by 5%	11,440	(135,092)
If HK$ weakens against RMB by 5%	(11,440)	135,092

Credit Risk

We only trade with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Maximum exposure and year-end staging as of December 31, 2018 and June 30, 2019

From January 1, 2018, upon the adoption of HKFRS 9, we group financial instruments on basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The gross carrying amount of each financial asset in the consolidated statements of financial position represents our maximum exposure to credit risk in relation to our financial assets as of December 31, 2018 and June 30, 2019.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (i) significant financial difficulty of the debtor; (ii) a breach of contract such as a default or past due event; and (iii) it is probable that the debtor will enter bankruptcy or other financial reorganization.

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

We have established a policy to perform an assessment as of December 31, 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. We group our bills receivables and other receivables into stage 1 as below:

- Stage 1: When the receivables are first recognized, we recognize an allowance based on 12 months' ECLs.

We also make periodic collective assessments for the receivables as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and other factors. We classified the receivables into different stages by risk and continuously monitored their credit risk. We believe that there is no material credit risk inherent in our outstanding balances as of December 31, 2018.

As of December 31, 2018 and June 30, 2019, all our pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

We do not provide any guarantees which would expose us to credit risk. For details about our exposure to credit risk arising from the financial assets, see Notes 22, 24, 25 and 26 of Accountants' Report set out in Appendix IA to this Prospectus.

Maximum exposure as of December 31, 2016 and 2017

Since we trade only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within us as the customer bases of our trade receivables are widely dispersed in different sectors and industries.

The credit risk of our other financial assets, which comprise cash and cash equivalents, amounts due from related companies, amounts due from a minority shareholder and other receivables, arises from default of the counterparty, with a maximum exposure equal to carrying amounts of these instruments.

Liquidity Risk

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

The following table summarizes the maturity profile of our financial liabilities as of the date indicated, based on the contractual undiscounted payments.

As of December 31, 2016

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
			HK$'000		
Trade and bills payables	27,461	–	–	–	27,461
Other payables and accruals	112,701	564	4,265	8,393	125,923
Due to related companies	23,209	–	–	–	23,209
Due to non-controlling shareholders	99,281	–	–	–	99,281
Interest-bearing bank and other borrowings	207,894	–	–	–	207,894
	470,546	564	4,265	8,393	483,768

As of December 31, 2017

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
			HK$'000		
Trade and bills payables	76,273	–	–	–	76,273
Other payables and accruals	523,577	26,646	17,564	24,097	591,884
Due to related companies and shareholders	361,061	–	–	–	361,061
Due to non-controlling shareholders	111,157	–	–	–	111,157
Interest-bearing bank and other borrowings	343,831	15,019	344,520	31,636	735,006
	1,415,899	41,665	362,084	55,733	1,875,381

As of December 31, 2018

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
			HK$'000		
Trade and bills payables	121,928	–	–	–	121,928
Other payables and accruals	938,088	27,027	30,600	81,171	1,076,886
Due to related companies	32,703	–	–	–	32,703
Due to non-controlling shareholders	2,498	–	–	–	2,498
Interest-bearing bank and other borrowings	355,196	493,509	524,972	205,676	1,579,353
	1,450,413	520,536	555,572	286,847	2,813,368

As of June 30, 2019

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
			HK$'000		
Trade and bills payables	111,229	–	–	–	111,229
Other payables and accruals	834,708	41,003	68,006	113,668	1,057,385
Due to related companies	27,989	–	–	–	27,989
Interest-bearing bank and other borrowings	612,691	299,423	402,964	191,380	1,506,458
	1,586,617	340,426	470,970	305,048	2,703,061

Capital Management

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize shareholders' value.

We manage our capital structure and make adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

We monitor capital using a gearing ratio, which is total debt divided by total equity. Our policy is to maintain a stable gearing ratio. The following table sets forth our gearing ratio and other relevant information as of the date indicated.

	As of December 31,			As of June 30,
	2016	2017	2018	2019
	HK$'000			
Interest-bearing bank and other borrowings	203,272	696,821	1,355,147	1,276,209
Lease liabilities	5,616	59,982	111,335	180,096
Total debt	208,888	756,803	1,466,482	1,456,305
Total equity	897,448	1,101,441	2,144,510	2,197,983
Gearing ratio	23%	69%	68%	66%

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of (i) additions to property, plant and equipment; (ii) prepaid land lease payments; (iii) operating concessions; and (iv) intangible assets, which included assets from the acquisition of subsidiaries.

For the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2019, our capital expenditure was HK$512.8 million, HK$642.9 million, HK$1,071.6 million and HK$432.7 million, respectively. We will continue to incur capital expenditures following the completion of the Global Offering. We plan to finance our future capital expenditures mainly through a combination of proceeds from the Global Offering and bank borrowings.

KEY FINANCIAL RATIOS

The table below sets forth certain of our key financial ratios for the period indicated.

	As of/For the year ended December 31,			As of/ For the six months ended June 30,
	2016	2017	2018	2019
	(%)			
Return on average equity[1]	4.4	5.6	13.0	15.0[7]
Return on average assets[2]	2.2	2.8	5.3	6.3[7]
Current ratio[3]	122.5	101.8	161.9	141.2
Gearing ratio[4]	23.3	68.7	68.4	66.3
Gross profit margin[5]	36.6	26.6	28.2	26.3
Net profit margin from continuing operations[6]	77.8	7.1	9.7	10.5

Notes:

(1) Return on average equity equals profit for the year/period from continuing operations attributable to owners of the parent divided by average balance of total equity attributable to owners of the parent at the beginning and the end of that year/period and multiplied by 100%.

(2) Return on average assets equals profit for the year/period from continuing operations divided by average balance of total assets at the beginning and the end of that year/period and multiplied by 100%.

(3) Current ratio equals current assets divided by current liabilities as of the end of that year/period and multiplied by 100%.

(4) Gearing ratio equals interest-bearing bank and other borrowings plus lease liabilities divided by total equity as of the end of that year/period and multiplied by 100%.

(5) Gross profit margin equals gross profit for the year/period from continuing operations divided by revenue from continuing operations.

(6) Net profit margin from continuing operations equals profit for the year/period from continuing operations divided by revenue from continuing operations.

(7) Half year ratios are annualized.

Return on Average Equity

For the six months ended June 30, 2019, our annualized return on average equity was 15.0%.

Our return on average equity increased from 5.6% in 2017 to 13.0% in 2018, primarily due to our profit from continuing operations attributable to owners of the parent increased from HK$41.6 million in 2017 to HK$150.4 million in 2018.

Our return on average equity increased from 4.4% in 2016 to 5.6% in 2017, primarily due to our profit from continuing operations attributable to owners of the parent increased from HK$19.2 million in 2016 to HK$41.6 million in 2017.

Return on Average Assets

For the six months ended June 30, 2019, our annualized return on average assets was 6.3%.

Our return on average assets increased from 2.8% in 2017 to 5.5% in 2018, primarily due to our profit from continuing operations increased from HK$64.9 million in 2017 to HK$213.9 million in 2018.

Our return on average assets increased from 2.2% in 2016 to 2.8% in 2017, primarily due to our profit from continuing operations increased from HK$19.2 million in 2016 to HK$64.9 million in 2017.

Current Ratio

Our current ratio decreased from 161.9% as of December 31, 2018 to 141.2% as of June 30, 2019, primarily due to (i) a decrease of HK$432.8 million in amount due from related companies; and (ii) an increase of HK$266.0 million in interest-bearing bank and other borrowings.

Our current ratio increased from 101.8% as of December 31, 2017 to 161.9% as of December 31, 2018, primarily due to (i) an increase of HK$443.0 million in amount due from related companies; and (ii) an increase of HK$276.7 million in trade and bills receivables mainly as a result of our continuous business expansion.

Our current ratio decreased from 122.5% as of December 31, 2016 to 101.8% as of December 31, 2017, primarily due to an increase of HK$407.9 million in other payables and accruals as a result of our acquisitions in 2017.

Gearing Ratio

Our gearing ratio remained relatively stable at 68.7%, 68.4% and 66.3% as of December 31, 2017 and 2018 and June 30, 2019, respectively.

Our gearing ratio increased significantly from 23.3% as of December 31, 2016 to 68.7% as of December 31, 2017, primarily as a result of the increase of our interest-bearing bank and other borrowings, which primarily resulted from our business expansion.

Gross Profit Margin

Our gross profit margin remained relatively stable at 26.6%, 28.2% and 26.3% for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively.

Our gross profit margin decreased from 36.6% for the year December 31, 2016 to 26.6% for the year ended December 31, 2017. We had only one revenue-generating environmental hygiene service project in 2016. Its gross profit margin primarily related to the service contract we negotiated with the local government agencies and was not representative of the gross profit margin of our other environmental hygiene service projects in general.

Net Profit Margin from Continuing Operations

Our net profit margin from continuing operations was 77.8% for the year ended December 31, 2016. We had only one revenue-generating environmental hygiene service project in 2016. Therefore, our net profit margin from continuing operations was not representative of our net profit margin in general.

Our net profit margin from continuing operations was relatively stable at 7.1%, 9.7% and 10.5% for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the parent which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2019. It is based on the audited consolidated net tangible assets of our Group attributable to owners of the parent as of June 30, 2019 as shown in Accountants' Report set out in Appendix IA to this Prospectus, and is adjusted as follows.

	Audited consolidated net tangible assets of our Group attributable to owners of the parent as of June 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the parent	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the parent per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(note 1)	*(note 2)*		*(notes 3 and 4)*
Based on the low end of the Offer Price Range of HK$0.69 per Share	1,321,852	540,715	1,862,567	0.52
Based on the high end of the Offer Price Range of HK$0.80 per Share	1,321,852	636,242	1,958,094	0.54

Notes:

(1) The consolidated net tangible assets of our Group attributable to owners of the parent as of June 30, 2019 is extracted from the Accountants' Report set out in Appendix IA to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to owners of the parent as of June 30, 2019 of HK$1,660,973,000 with an adjustment for goodwill and other intangible assets as of June 30, 2019 of HK$336,298,000 and HK$2,823,000, respectively.

(2) Estimated net proceeds from the Global Offering are based on 900,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$0.69 and HK$0.80 per Offer Share, being the low end and the high end of the Offer Price Range, after deducting underwriting commissions and other estimated expenses expected to be incurred by our Group in connection with the Global Offering and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of the parent per Share is calculated based on 3,600,000,000 Shares expected to be in issue assuming that the Global Offering had been completed on June 30, 2019, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the audited consolidated net tangible assets of our Group attributable to the owners of the parent as of June 30, 2019 to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2019.

DISTRIBUTABLE RESERVES

As of June 30, 2019, we recorded retained profits of HK$317.3 million.

DIVIDENDS

During the Track Record Period, we did not pay any dividend. Future dividend payments will depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of distributable profits, which are net profit of our PRC subsidiaries as determined in accordance with the PRC GAAP or HKFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that our PRC subsidiaries are required to make. Although the PRC GAAP are in all material aspects identical with HKFRS and the differences between our distributable profits recorded under the PRC GAAP and HKFRS are immaterial, the calculation of distributable profits under the PRC GAAP may be different from the calculation under HKFRS in certain respects, and our operating subsidiaries may not have distributable profits as determined under the PRC GAAP even if they have profits for that year as determined under HKFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Islands Companies Law. In addition, our Directors may from time to time pay such interim dividends on shares of our Company outstanding and authorize payment of the same out of the funds of our Company lawfully available. We have no pre-determined dividend pay-out ratio after the Listing.

LISTING EXPENSES

Based on the approximate mid-point Offer Price of HK$0.75 and assuming that Over-allotment Option is not exercised, the total estimated listing related expenses payable by us in relation to the Global Offering is expected to be approximately HK$82.2 million or approximately HK$58.6 million after excluding underwriting commission of approximately HK$23.6 million. During the Track Record Period, we recognized and charged to our consolidated statements of profit or loss HK$10.2 million, HK$9.8 million and HK$9.6 million of such expenses for the years ended December 31, 2017 and 2018 and the six months ended June 30, 2019, respectively. We estimate that listing expenses of HK$24.5 million will be charged to our consolidated statements of profit or loss for the years ending December 31, 2019 and 2020, and HK$37.7 million will be charged to equity upon completion of Listing. These listing expenses mainly comprise professional fees paid and payable to the Joint Sponsors, Joint Bookrunners, the Underwriters, legal advisors and the reporting accountants for their services rendered in relation to the Listing and the Global Offering.

NO MATERIAL AND ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which our Directors consider sufficient, that, as of the date of this Prospectus, there had been no material adverse change in our financial, trading position, prospects, gross profit margin or revenue since June 30, 2019 and there has been no event since June 30, 2019 which would materially affect the information shown in the Accountants' Report set out in Appendix IA to this Prospectus.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this Prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with ZGC International Holding Limited (中關村國際控股有限公司) (the "**Cornerstone Investor**") who has agreed to subscribe for, at the Offer Price, such number of Offer Shares (rounded down to the nearest whole board lot of 4,000 Shares) which may be purchased at amount of approximately US$10.0 million (equivalent to approximately HK$77.95 million) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$0.69 (being the low end of the Offer Price Range set out in this Prospectus), the total number of Shares to be subscribed by the Cornerstone Investor would be approximately 112,972,000 Shares, representing approximately (i) 12.55% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 10.92% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 3.14% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iv) 3.02% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$0.75 (being the approximate mid-point of the Offer Price Range set out in this Prospectus), the total number of Shares to be subscribed by the Cornerstone Investor would be approximately 103,932,000 Shares, representing approximately (i) 11.55% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 10.04% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 2.89% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iv) 2.78% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK$0.80 (being the high end of the Offer Price Range set out in this Prospectus), the total number of Shares to be subscribed by the Cornerstone Investor would be approximately 97,436,000 Shares, representing approximately (i) 10.83% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 9.41% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 2.71% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised; and (iv) 2.61% of the Shares in issue upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party and not a connected person of our Company and its close associate (as defined in the Listing Rules). The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Placing. The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investor will not have any representation on our Board or become a substantial Shareholder upon completion of the Global Offering and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement. There will be neither deferred settlement in respect of any Offer Shares to be acquired by the Cornerstone Investor nor deferred payment of Offer Shares under the Cornerstone Placing. Save for the Cornerstone Placing, there is no side agreement or arrangement between our Company and the Cornerstone Investor nor is there any benefit, directly or indirectly, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing.

The Shares to be purchased by the Cornerstone Investor will not be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this Prospectus.

THE CORNERSTONE INVESTOR

The Cornerstone Investor and our Company confirmed that the source of funding for the Cornerstone Placing was from its internal resources and was not directly or indirectly financed by any connected person of our Company nor their close associates (as defined in the Listing Rules). The Cornerstone Investor is making independent investment decisions and is not accustomed to taking instructions from a core connected person (as defined in the Listing Rules) of our Company, our Company, any of our Directors, any of our existing Shareholders, or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares.

The following information on the Cornerstone Investor was provided to our Company by the Cornerstone Investor. To the best knowledge of our Company, the Cornerstone Investor is a company incorporated in Hong Kong with limited liability and is principally engaged in investment and asset management, and provision of technology intermediary services and financial services. The Cornerstone Investor is a wholly-owned subsidiary of Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司) ("**ZGC Group**"), which is a state-owned enterprise established by the Beijing municipal government and is principally engaged in industrial investment, technology and finance, and technology services.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed for by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTOR

Save for the circumstances that the transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, the Cornerstone Investor has agreed and undertaken to our Company, the Joint Sponsors and the Joint Global Coordinators that unless it has obtained the prior written consent of our Company and the Joint Sponsors, it will not, and will cause its affiliates not to, at any time during the period of six months from the Listing Date:

(i) offer, pledge, charge, sell, offer to sell, contract or agree to sell, mortgage, assign, lend, grant, create, transfer or otherwise dispose of any legal or beneficial interest (including by creation of or an agreement to create or sell or grant or agreeing to sell or grant any option or contract to purchase or any warrant or right or subscribe for, or to purchase or purchasing any option or contract to sell) in the relevant Shares or any securities convertible into or exercisable or exchangeable for or represent the right to receive such relevant Shares, or contracting to do so, whether directly or indirectly, conditionally or unconditionally;

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership (including legal or beneficial) of any relevant Shares or securities;

(iii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficiary owner;

(iv) enter into any transaction with the same economic effect as any transaction described in paragraphs (i), (ii) and (iii) above including in relation to any interest in any company or entity holding any of the relevant Shares; or

(v) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii), (iii) and (iv) above;

in each case, whether any of the transactions described in paragraphs (i) to (iv) above is to be settled by delivery of such relevant Shares or any other securities of our Company, or in cash or otherwise.

FUTURE PLANS

See “Business — Business Strategy” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised), will be in the amounts set out below:

- approximately HK$540.7 million, assuming an Offer Price of HK$0.69 per Offer Share, being the low-end of the proposed Offer Price Range; or

- approximately HK$592.8 million, assuming an Offer Price of HK$0.75 per Offer Share, being the approximate mid-point of the proposed Offer Price Range; or

- approximately HK$636.2 million, assuming an Offer Price of HK$0.80 per Offer Share, being the high-end of the proposed Offer Price Range.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below, assuming the Offer Price is fixed at HK$0.75 per Offer Share (being the approximate mid-point of the indicative range of the Offer Price of HK$0.69 to HK$0.80 per Share):

- approximately 51.6% of our total estimated net proceeds, or HK$305.7 million, will be used for development of our certain hazardous waste treatment projects, including:

  – approximately 36.4% of our total estimated net proceeds, or HK$215.7 million, will be used for purchasing equipment and facilities for our certain hazardous waste treatment projects. Such hazardous waste treatment projects are currently planned for future construction. We expect that they will commence operation in 2020 or 2021. The table below sets forth a breakdown of our estimated costs for purchasing equipment and facilities for such hazardous waste treatment projects:

Equipment and facilities to be purchased	Quantity	Estimated costs (in millions of HK$)	To be incurred in 2020 (in millions of HK$)	To be incurred in 2021 (in millions of HK$)
Shouguang Industrial Solid Waste Disposal Center Project – Phase II (壽光市工業固體廢物處置中心工程項目(二期))				
Incineration system	1 set	64.5	64.5	—
Wastewater and liquid waste flocculation and purification system	1 set	11.2	11.2	—
Deodorization system	1 set	6.7	6.7	—
Shandong Industrial Solid Waste Disposal Center Project – Phase II (山東省工業固體廢物處置中心項目(二期))				
Incineration system	1 set	55.6	55.6	—
Deodorization system	1 set	6.7	6.7	—
Zitong Recycling Industrial Park Project (梓潼北控循環經濟產業園項目)				
Incineration system	1 set	71.0	35.5	35.5
Total		215.7	180.2	35.5

– approximately 15.2% of our total estimated net proceeds, or HK$90.0 million, will be used for construction of buildings for our certain hazardous waste treatment projects. Such hazardous waste treatment projects are currently planned for future construction. We expect that they will commence operation in 2021. The table below sets forth a breakdown of our estimated costs for construction of buildings for such hazardous waste treatment projects:

Buildings to be constructed	Estimated costs (in millions of HK$)	To be incurred in 2020 (in millions of HK$)	To be incurred in 2021 (in millions of HK$)
Zitong Recycling Industrial Park Project (梓潼北控循環經濟產業園項目)			
Estimated site area: 66,667 sq. m. Estimated GFA: Not available	90.0	69.8	20.2
Total	90.0	69.8	20.2

- approximately 16.5% of our total estimated net proceeds, or HK$97.9 million, will be used for purchasing motor vehicles, such as garbage trucks and other sanitation vehicles, for the environmental hygiene projects that we expect to obtain in 2020 and 2021. During the years ended December 31, 2017 and 2018, the addition of motor vehicles amounted to HK$168.7 million and HK$279.5 million, respectively, primarily resulting from our purchase of motor vehicles for our environmental hygiene projects. We expect to purchase 158 and 90 motor vehicles in 2020 and 2021, respectively, with approximately 16.5% of our total estimated net proceeds;

- approximately 25.3% of our total estimated net proceeds, or HK$150.0 million, will be used for repayment of an existing bank borrowing with the interest rate of HIBOR plus 1.75%. Such bank borrowing is with a floating interest rate of 1.75% plus the Hong Kong Interbank Offered Rate per annum, and will mature on April 24, 2020. We expect to repay 50% of the principal amount of such bank borrowing upon its maturity, and utilize the working capital generated from our operations and/or other sources of financing to repay the shortfalls; and

- approximately 6.6% of our total estimated net proceeds, or HK$39.2 million, will be used for working capital and general corporate purposes.

In the event that the Offer Price is fixed below or above the mid-point of the indicative Offer Price Range, the net proceeds allocated to the above purposes will be adjusted on a pro rata basis.

Should the Over-allotment Option be exercised in full (assuming an Offer Price of HK$0.75 per Offer Share, being the approximate mid-point of the proposed Offer Price Range), we will receive additional net proceeds of approximately HK$97.7 million.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to apply the net proceeds to short-term demand deposits and/or money market instruments.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

DBS Asia Capital Limited

Mason Securities Limited

Guotai Junan Securities (Hong Kong) Limited

SBI China Capital Financial Services Limited

Sinomax Securities Limited

Maxa Capital Limited

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 90,000,000 Hong Kong Offer Shares and the International Placing of initially 810,000,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" section of this Prospectus as well as to the Over-allotment Option (in the case of the International Placing).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on or around December 24, 2019. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 90,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this Prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall in their absolute discretion be entitled to terminate the Hong Kong Underwriting Agreement, by giving notice to our Company, with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any event, or series of events, in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, large scale outbreaks of diseases (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms), economic sanctions, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Singapore, the Cayman Islands or any other jurisdiction relevant to any member of our Group or the Global Offering (the "**Relevant Jurisdictions**");

(ii) any change or development involving a prospective change, or any event or circumstances or series of events resulting in or likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets, credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC or any of the other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of those places or jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change or amendment in taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;

(viii) the chairman/chief executive officer or any other executive Directors of our Company vacating his office (other than by reason of death, incapacity or serious illness);

(ix) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political or regulatory body of any investigation or action against any Director in his capacity as such or any member of our Group or an announcement by any governmental, political, regulatory body that it intends to commence any such investigation or take any such action;

(x) any contravention by our Company, any member of our Group, or any Director of any applicable law or the Listing Rules;

(xi) any litigation, dispute, legal action, arbitration, proceeding or claim being threatened or instigated against any Director or any member of our Group;

(xii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the Option Shares) pursuant to the terms of the Global Offering;

(xiii) the issue or requirement to issue by our Company of any supplement or amendment to this Prospectus, any Application Forms or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Joint Global Coordinators, in circumstances where the matter to be disclosed could, in the sole and absolute opinion of the Joint Global Coordinators, adversely affect the marketing for or implementation of the Global Offering;

(xiv) any order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group;

(xv) any valid demand by any creditor for repayment or payment of any indebtedness (other than indebtedness arising from the ordinary course of business) of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity, which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters),

(1) has or will or may have a material adverse effect on the assets, liabilities, business, management, general affairs, shareholder's equity, profits, losses, prospects, results of operations, financial, operational or trading position or condition, of our Group as a whole;

(2) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Placing;

(3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Placing to be implemented or proceed as envisaged or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the offering documents; or

(4) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering or the International Placing incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators:

(i) that any statement contained in any of this Prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading in any material respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;

(iii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from, or misstatement in, any of this Prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

(iv) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or the Underwriters);

(v) any event, act or omission which gives or is likely to give rise to any liability of either our Company or BEWG (as applicable) pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vi) that there is any adverse change or development or likely to be any prospective adverse change or development in the assets, liabilities, general affairs, business, management, prospects, shareholders' equity, profits, losses, earnings, results of operations, financial or trading position or condition, financial, operational or otherwise, or performance of our Group as a whole and the effect of which is, in the sole and absolute opinion of the Joint Global Coordinators, so material and adverse as to make it impracticable or inadvisable to proceed with the Global Offering;

(vii) any breach of, or any matter, event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, undertakings and warranties given by either our Company or BEWG (as applicable) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(viii) any of the reporting accountants, the industry consultant or any of the counsels or experts has withdrawn its respective consent to the issue of this Prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;

(ix) that our Company withdraws this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(x) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into, or the investment commitments by any corporate or cornerstone investors after signing of the agreements with such corporate or cornerstone investors, have been withdrawn, terminated, cancelled or otherwise not fulfilled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement or arrangement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for in certain circumstances provided under Rule 10.08 of the Listing Rules and pursuant to the Global Offering and the Over-allotment Option.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering or for any lending of Shares pursuant to the Stock Borrowing Agreement, it will not and will procure that the relevant registered holder(s) will not in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this Prospectus to be the beneficial owner.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

(1) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company shall also inform the Stock Exchange in writing as soon as practicable after it has been informed of the matters referred to in (1) or (2) above by our Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Our Company has undertaken to the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them not to (save for the issue, offer, or sale of the Offer Shares by our Company pursuant to the Global Offering and the Over-allotment Option), without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, right or contract to subscribe for or purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of, or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of our Company, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares, debt capital or other securities of our Company, or any interest therein (including, without limitation, any securities of which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to or announce or publicly disclose that our Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or other securities of our Company or shares or debt capital or other securities of such other member of our Group, as applicable, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period), provided that the foregoing restrictions shall not apply to the issue of the Shares by our Company pursuant to the Global Offering or the Over-allotment Option.

In the event that, during the period of six months immediately following the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any such transactions or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, our Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of our Company.

(B) Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules.

Save for any lending of the Shares pursuant to the Stock Borrowing Agreement and save as permitted under Note (2) to Rule 10.07(2) of the Listing Rules, during the First Six-Month Period, it will not:

(i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any such capital or securities or any interest therein), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares), or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares, or any other equity securities of our Company or any interest in any of the foregoing (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

In the event that, during the Second Six-Month Period, each of our Controlling Shareholders enters into any such transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or contracts to, or publicly announces an intention to enter into or effect any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

International Placing

International Underwriting Agreement

In connection with the International Placing, our Company and our Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See the section headed "Structure of the Global Offering — The International Placing" in this Prospectus.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable at the sole discretion of the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to allot and issue up to an aggregate of 135,000,000 additional new Shares, representing no more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Placing, if any. See the section headed "Structure of the Global Offering — Over-allotment Option" in this Prospectus.

Commissions and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Joint Global Coordinators may receive a discretionary incentive fee of up to 1% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Placing, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$0.75 per Offer Share (which is the approximate mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and no exercise of the Over-allotment Option) will be approximately HK$23.6 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$82.2 million (assuming an Offer Price of HK$0.75 per Offer Share (which is the approximate mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and no exercise of the Over-allotment Option) and will be paid by our Company.

Indemnity

Our Company and our Controlling Shareholders (collectively the "**Indemnity Covenantors**") have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by the Indemnity Covenantors of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process. It should be noted that when engaging in any these activities the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, none of the Underwriters (except for the Joint Global Coordinators, their affiliate(s) or any person(s) acting for it for the purpose of taking any stabilizing action) will, and each of the Underwriters will procure that none of its respective affiliates and agents will, in connection with the distribution of the Offer Shares, effect, cause or authorize any other person to effect any transactions including, but not limited to issuing options or derivatives on the underlying Shares (whether in the open market or otherwise and whether in Hong Kong or elsewhere) with a view to stabilizing or maintaining the market price of any of the Shares at a level higher than that which might otherwise prevail in the open market or any action which is designed to or which constitutes or which might be expected to, cause or result in the stabilization or manipulation, in violation of applicable laws, of the price of any security of our Company; and

(b) none of the Underwriters (other than the Joint Global Coordinators or their affiliate(s) or any other person(s) acting for it for the purpose of taking any stabilizing action), will, during the period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, issue any warrant, option or derivative on the underlying Shares (whether in the open market or otherwise), except with the prior written consent of the Joint Global Coordinators.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in "Structure of the Global Offering" section of this Prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Haitong International Securities Company Limited and DBS Asia Capital Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus.

900,000,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 90,000,000 Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" below; and

(b) the International Placing of initially 810,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in the paragraph headed "— The International Placing" below.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Placing Shares under the International Placing,

but may not do both.

The Offer Shares will represent approximately 25.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the total Shares in issue immediately following the completion of the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the subsection headed "— the Hong Kong Public Offering — Reallocation" below.

References in this Prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 90,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 45,000,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation under the Listing Rules. If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, and provided that the International Placing is not undersubscribed, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 270,000,000 Offer Shares (in the case of (a)), 360,000,000 Offer Shares (in the case of (b)) and 450,000,000 Offer Shares (in the case of (c)), respectively, representing approximately 30%, 40% and 50% respectively, of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. However, according to the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if (a) the International Placing is undersubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (b) when the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Joint Global Coordinators may only allocate the Offer Shares from the International Placing to the Hong Kong Public Offering on the following conditions (the "**Allocation Cap**"):

(i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall not be more than the number of Offer Shares initially allocated to the Hong Kong Public Offering, i.e. 90,000,000 Offer Shares, representing 10% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase up to 180,000,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20% of the number of Offer Shares initially available under the Global Offering; and

(ii) the final Offer Price must be fixed at the bottom end of the indicative Offer Price Range stated in this Prospectus (i.e. HK$0.69 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deem appropriate.

Subject to the Allocation Cap, the Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

In the event that both the Hong Kong Public Offering and the International Placing are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the Application Forms and the Underwriting Agreements.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing will be disclosed in the results announcement of the Global Offering, which is expected to be published on Tuesday, January 14, 2020.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$0.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of approximately HK$3,232.25 for one board lot of 4,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing and Allocation" below, is less than the maximum Offer Price of HK$0.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares initially offered

The International Placing will consist of an offering of initially 810,000,000 Offer Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation as described above and the Over-allotment Option). The number of Offer Shares initially offered under the International Placing, subject to any reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 135,000,000 Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilization Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilization Manager (or any person acting for it) and in what the Stabilization Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over- allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilization Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilization Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilization Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Friday, February 7, 2020, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilization Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilization Manager (or any person acting for it) may choose to borrow up to 135,000,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from BEWG, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilization Manager (or any person acting for it) and BEWG on or about the Price Determination Date, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

If the Stock Borrowing Agreement is entered into, the borrowing of Shares will only be effected by the Stabilization Manager (or any person acting for it) for the settlement of over-allocations in the International Placing and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing, are complied with.

The same number of Shares so borrowed must be returned to BEWG or its nominees, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to BEWG by the Stabilization Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, January 8, 2020 and, in any event, no later than Tuesday, January 14, 2020, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$0.80 per Offer Share and is expected to be not less than HK$0.69 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK$0.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$3,232.25 for one board lot of 4,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price Range as stated in this Prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of our Company, reduce the number of Offer Share offered and/or the indicative Offer Price Range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.beur.net.cn** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price Range as stated in this Prospectus.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — Publication of Results" of this Prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional and is subject to, among other things, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Placing on or about the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in the section headed "Underwriting" in this Prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, (i) the Shares in issue and to be issued pursuant to the Global Offering and (ii) any Shares which may be issued upon the exercise of the Over-allotment Option, on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or about the Price Determination Date;

- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements

(unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, January 14, 2020, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.beur.net.cn** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares — Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, January 15, 2020, provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed "Underwriting" in this Prospectus has not been exercised.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, January 15, 2020, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, January 15, 2020.

The Shares will be traded in board lots of 4,000 Shares each and the stock code of the Shares will be 3718.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **HK eIPO White Form** service at **www.hkeipo.hk** or the **IPO App**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **HK eIPO White Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares in our Company and/or any of the Company's subsidiaries;
- you are a director or chief executive of our Company and/or any of the Company's subsidiaries;
- you are an associate (as defined in the Listing Rules) of any of the above persons;
- you are a connected person (as defined in the Listing Rules) of our Company or a person who will become a connected person of our Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **HK eIPO White Form** service at **www.hkeipo.hk** or the **IPO App**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 from:

(a) the following offices of the Joint Global Coordinators:

Haitong International Securities Company Limited
22nd Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DBS Asia Capital Limited
73rd Floor, The Center
99 Queen's Road Central
Central
Hong Kong

(b) any of the following branches of the receiving bank for the Hong Kong Public Offering:

DBS Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central, Central
	Queen's Road East – DBS Treasures Centre	Shop A, G/F, Jonsim Place 228 Queen's Road East, Wanchai
	United Centre Branch	Shops 1015-1018 on 1/F and Shops 2032-2034 on 2/F United Centre 95 Queensway, Admiralty
Kowloon	Nathan Road – SME Banking Centre	2/F, Wofoo Commercial Building 574-576 Nathan Road, Mongkok
	Kowloon Bay – SME Banking Centre	Shop 6, G/F Chevalier Commercial Centre 8 Wang Hoi Road, Kowloon Bay

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or

- your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Ting Hong Nominees Limited – BEURG Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

Monday, December 30, 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, December 31, 2019	**—**	**9:00 a.m. to 5:00 p.m.**
Thursday, January 2, 2020	**—**	**9:00 a.m. to 5:00 p.m.**
Friday, January 3, 2020	**—**	**9:00 a.m. to 5:00 p.m.**
Saturday, January 4, 2020	**—**	**9:00 a.m. to 1:00 p.m.**
Monday, January 6, 2020	**—**	**9:00 a.m. to 5:00 p.m.**
Tuesday, January 7, 2020	**—**	**9:00 a.m. to 5.00 p.m.**
Wednesday, January 8, 2020	**—**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, January 8, 2020, the last day for applications, or such later time as described in the paragraph headed "— Effect of Bad Weather and/or extreme conditions on the Opening and Closing of the Application Lists" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Islands Companies Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this Prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this Prospectus and have relied only on the information and representations in this Prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this Prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this Prospectus;

(f) agree that none of our Company, the Relevant Persons and the **HK eIPO White Form** Service Provider is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;

(h) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither our Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this Prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(o) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of our Company and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you are eligible the criteria mentioned in the paragraph headed "— Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(q) understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as his/her/its agent.

*Additional Instructions for **YELLOW** Application Forms*

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the HK eIPO White Form Service

General

Individuals who meet the criteria in the paragraph headed "— Who Can Apply" above may apply through the **HK eIPO White Form** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.hkeipo.hk** or the **IPO App**.

Detailed instructions for application through the **HK eIPO White Form** service are set out on the designated website or the **IPO App**. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website or the **IPO App**, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this Prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** Service Provider.

*Time for Submitting Applications under the **HK eIPO White Form** Service*

You may submit your application through the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** or the **IPO App** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Monday, December 30, 2019 until 11:30 a.m. on Wednesday, January 8, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, January 8, 2020, the last day for applications, or such later time as described in the paragraph headed "— Effect of Bad Weather and/or extreme conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of the **HK eIPO White Form** is to save the use of paper via the self-serviced and electronic application process. Our Company and the Joint Sponsors encourage you to utilize this application channel should you desire the Hong Kong Offer Shares to be issued under your own name.

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a Prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

*Giving **Electronic Application Instructions** to HKSCC via CCASS*

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this Prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, will not apply for or take up, or indicate an interest for, any International Placing Shares nor participated in the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as his/her/its agent;

- confirm that you understand that our Company, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this Prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this Prospectus and have relied only on the information and representations in this Prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this Prospectus;

- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in this Prospectus (and any supplement to this Prospectus);

- agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this Prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and

Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this Prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Cayman Islands Companies Law; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

*Effect of Giving **Electronic Application Instructions** to HKSCC via CCASS*

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this Prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Hong Kong Offer Shares. Instructions for more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting ***Electronic Application Instructions***(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, December 30, 2019	**—**	**9:00 a.m. to 8:30 p.m.**
Tuesday, December 31, 2019	**—**	**8:00 a.m. to 8:30 p.m.**
Thursday, January 2, 2020	**—**	**8:00 a.m. to 8:30 p.m.**
Friday, January 3, 2020	**—**	**8:00 a.m. to 8:30 p.m.**
Saturday, January 4, 2020	**—**	**8:00 a.m. to 1:00 p.m.**
Monday, January 6, 2020	**—**	**8:00 a.m. to 8:30 p.m.**
Tuesday, January 7, 2020	**—**	**8:00 a.m. to 8:30 p.m.**
Wednesday, January 8, 2020	**—**	**8:00 a.m. to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, December 30, 2019 until 12:00 noon on Wednesday, January 8, 2020 (24 hours daily, except on the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, January 8, 2020, the last day for applications, or such later time as described in the paragraph headed "— Effect of Bad Weather and/or extreme conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. Our Company, the Relevant Persons and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, January 8, 2020, the last day for applications, or such later time as described in the paragraph headed "— Effect of Bad Weather and/or extreme conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or
- some other identification code.

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. How Much Are the Hong Kong Offer Shares

The maximum Offer Price is HK$0.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 4,000 Hong Kong Offer Shares, you will pay HK$3,232.25.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 4,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk** or the **IPO App**.

For further details on the Offer Price, see the section headed "Structure of the Global Offering — Pricing and Allocation" in this Prospectus.

10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; or
- "extreme conditions" caused by a super typhoon

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, January 8, 2020. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, January 8, 2020 or if there is a tropical cyclone warning signal number 8 or "extreme conditions" caused by a super typhoon or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Prospectus, an announcement will be made.

11. Publication of Results

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Tuesday, January 14, 2020 on the websites of our Company at **www.beur.net.cn** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at **www.beur.net.cn** and **www.hkexnews.hk**, respectively, by no later than Tuesday, January 14, 2020;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (alternatively: **www.hkeipo.hk/IPOResult**) or "Allotment Result" function in the **IPO App** with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Tuesday, January 14, 2020 to 12:00 midnight on Monday, January 20, 2020;
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, January 14, 2020 to Friday, January 17, 2020; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the designated receiving bank branches and sub-branches referred to above from Tuesday, January 14, 2020 to Thursday, January 16, 2020.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in the section headed "Structure of the Global Offering" in this Prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. Circumstances in which you will not be allocated Hong Kong Offer Shares

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(i) if a person responsible for this Prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this Prospectus; or

(ii) if any supplement to this Prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) *If our Company or its agents exercise their discretion to reject your application:*

Our Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) *If the allocation of Hong Kong Offer Shares is void:*

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) *If:*

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.hkeipo.hk** or the **IPO App**;
- you apply for more than 45,000,000 Hong Kong Offer Shares, being 50% of the 90,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

13. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$0.80 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in the section headed "Structure of the Global Offering — Conditions of the Global Offering" in this Prospectus are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, January 14, 2020.

14. Despatch/Collection of Share Certificates and Refund Monies

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Tuesday, January 14, 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, January 15, 2020, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the section headed "Underwriting" in this Prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a **WHITE** Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020, or any other place or date notified by our Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Tuesday, January 14, 2020 by ordinary post and at your own risk.

(b) If you apply using a **YELLOW** Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on Tuesday, January 14, 2020 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, January 14, 2020 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, January 14, 2020 in the manner as described in the paragraph headed "— Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 14, 2020 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

(c) If you apply through **HK eIPO White Form** service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **HK eIPO White Form** service and your application is wholly or partially successful, you may collect your Share certificate(s) in person from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, January 14, 2020, or any other place or date notified by our Company in the newspapers as the date of despatch or collection of Share certificates/e-Auto refund payment instructions/refund cheques.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **HK eIPO White Form** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, January 14, 2020 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving **electronic application instructions** to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, January 14, 2020 or on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in the paragraph headed "— Publication of Results" above on Tuesday, January 14, 2020. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, January 14, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, January 14, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, January 14, 2020.

15. Admission of the Shares into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Beijing Enterprises Urban Resources Group Limited
Haitong International Capital Limited
DBS Asia Capital Limited

Dear Sirs,

We report on the historical financial information of Beijing Enterprises Urban Resources Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages IA-4 to IA-112, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2019 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019 and the statement of financial position of the Company as at 30 June 2019, and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IA-4 to IA-112 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 30, 2019 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019 and of the Company as at 30 June 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six months ended June 30, 2018 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with

Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

December 30, 2019

I. HISTORICAL FINANCIAL INFORMATION

(a) Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst and Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(b) Consolidated statements of profit or loss

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
CONTINUING OPERATIONS						
REVENUE	*5*	24,640	912,380	2,211,832	947,563	1,475,283
Cost of sales		(15,626)	(669,582)	(1,588,563)	(683,730)	(1,086,866)
Gross profit		9,014	242,798	623,269	263,833	388,417
Other income and gains, net	*5*	11,649	24,432	56,769	18,873	30,777
Administrative expenses		(1,062)	(163,509)	(358,550)	(151,488)	(168,632)
Selling and distribution expenses		–	(5,749)	(6,427)	(1,321)	(4,355)
Other expenses		(211)	(6,796)	(4,340)	(943)	(5,568)
Finance costs	*7*	(265)	(11,152)	(50,167)	(19,654)	(36,789)
Share of loss of an associate		–	(191)	–	–	–
Share of loss of a joint venture		–	–	(1,184)	(461)	(698)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	19,125	79,833	259,370	108,839	203,152
Income tax credit/(expense)	*10*	35	(14,956)	(45,472)	(30,611)	(48,806)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		19,160	64,877	213,898	78,228	154,346
DISCONTINUED OPERATION						
Profit/(loss) for the year/period from a discontinued operation	*11*	(74,548)	(113,127)	258,043	258,043	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(55,388)	(48,250)	471,941	336,271	154,346
Attributable to:						
Owners of the parent		(27,020)	(28,522)	430,383	329,560	120,694
Non-controlling interests		(28,368)	(19,728)	41,558	6,711	33,652
		(55,388)	(48,250)	471,941	336,271	154,346

(c) Consolidated statements of comprehensive income

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(55,388)	(48,250)	471,941	336,271	154,346
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
– Translation of foreign operations	656	77,606	(93,740)	(3,006)	(5,395)
– Release upon disposal of subsidiaries	–	–	(4,216)	(4,216)	(38)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(54,732)	29,356	373,985	329,049	148,913
Attributable to:					
Owners of the parent	(23,677)	31,853	344,576	316,271	110,387
Non-controlling interests	(31,055)	(2,497)	29,409	12,778	38,526
	(54,732)	29,356	373,985	329,049	148,913

(d) Consolidated statements of financial position

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	505,874	1,008,126	1,526,868	1,491,932
Right-of-use assets	*15*	165,896	238,802	313,097	356,627
Goodwill	*16*	121,447	200,720	392,878	336,298
Operating concessions	*17*	–	68,807	60,522	125,500
Other intangible assets	*18*	445	1,273	1,319	2,823
Prepayments, deposits and other receivables	*26*	7,865	41,955	152,092	149,654
Due from non-controlling shareholders	*27*	117,383	–	–	–
Investment in an associate	*19*	4,159	4,253	571	568
Investment in a joint venture	*20*	–	–	33,618	32,800
Available-for-sale investment	*21*	–	15,802	–	–
Trade receivables	*24*	–	–	–	23,404
Contract assets	*22*	–	49,107	68,262	43,608
Deferred tax assets	*34*	–	340	1,643	1,662
Total non-current assets		923,069	1,629,185	2,550,870	2,564,876
CURRENT ASSETS					
Inventories	*23*	69,384	54,441	86,982	62,676
Trade and bills receivables	*24*	77,522	380,242	656,881	838,105
Environmental decommissioning fees receivable	*25*	20,503	82,321	136,551	175,137
Contract assets	*22*	–	–	5,684	4,049
Income tax recoverable		–	1,375	–	–
Other tax recoverable	*31*	410	28,537	68,162	55,484
Prepayments, deposits and other receivables	*26*	5,695	110,812	161,038	186,745
Due from related companies	*27*	–	29,041	472,005	39,165
Due from non-controlling shareholders	*27*	876	131,091	23,125	22,945
Pledged deposits	*28*	–	16,351	6,810	3,117
Cash and cash equivalents	*28*	405,306	631,114	734,314	886,526
Total current assets		579,696	1,465,325	2,351,552	2,273,949

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CURRENT LIABILITIES					
Trade and bills payables	*29*	27,461	76,273	121,928	111,229
Other payables and accruals	*30*	115,691	523,577	938,088	834,708
Other taxes payable	*31*	4,456	23,083	26,339	25,758
Income tax payable		–	14,136	24,959	38,681
Due to related companies and shareholders	*27*	23,209	361,061	32,703	27,989
Due to non-controlling shareholders	*27*	99,281	111,157	2,498	–
Interest-bearing bank and other borrowings	*32*	203,272	329,529	306,244	572,278
Total current liabilities		473,370	1,438,816	1,452,759	1,610,643
NET CURRENT ASSETS		106,326	26,509	898,793	663,306
TOTAL ASSETS LESS CURRENT LIABILITIES		1,029,395	1,655,694	3,449,663	3,228,182
NON-CURRENT LIABILITIES					
Deferred income	*33*	111,748	115,278	140,730	148,055
Other payables and accruals	*30*	7,624	52,198	85,686	160,597
Deferred tax liabilities	*34*	12,575	14,483	24,835	12,518
Interest-bearing bank and other borrowings	*32*	–	367,292	1,048,903	703,931
Provision for major overhaul	*35*	–	5,002	4,999	5,098
Total non-current liabilities		131,947	554,253	1,305,153	1,030,199
Net assets		897,448	1,101,441	2,144,510	2,197,983
EQUITY					
Equity attributable to owners of the parent					
Issued capital	*36*	–	–	–	270,000
Reserves	*37*	731,983	763,836	1,555,476	1,390,973
		731,983	763,836	1,555,476	1,660,973
Non-controlling interests		165,465	337,605	589,034	537,010
Total equity		897,448	1,101,441	2,144,510	2,197,983

(e) Consolidated statements of changes in equity

		Attributable to owners of the parent								
		Issued capital	Capital reserve	Merger reserve	Exchange fluctuation reserve	PRC reserve funds	Accum-ulated losses	Total	Non-controlling interests	Total equity
	Notes	*HK$'000* *(note 36)*	*HK$'000*	*HK$'000* *(note 37(b))*	*HK$'000*	*HK$'000* *(note 37(c))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At January 1, 2016		–	–	256,314	(13,855)	1,291	(104,643)	139,107	69,858	208,965
Loss for the year		–	–	–	–	–	(27,020)	(27,020)	(28,368)	(55,388)
Other comprehensive income/(loss) for the year:										
Exchange differences on translation of foreign operations		–	–	–	3,343	–	–	3,343	(2,687)	656
Total comprehensive income/(loss) for the year		–	–	–	3,343	–	(27,020)	(23,677)	(31,055)	(54,732)
Capital contributions by the then equity owners		–	–	900,000	–	–	–	900,000	–	900,000
Transfer between reserves		–	–	–	–	4,097	(4,097)	–	–	–
Distribution to the then equity owners		–	–	(283,447)	–	–	–	(283,447)	–	(283,447)
Acquisition of subsidiaries	*40*	–	–	–	–	–	–	–	139,546	139,546
Dividends paid to non-controlling shareholders	*39*	–	–	–	–	–	–	–	(12,884)	(12,884)
At December 31, 2016 and January 1, 2017		–	–*	872,867*	(10,512)*	5,388*	(135,760)*	731,983	165,465	897,448
Loss for the year		–	–	–	–	–	(28,522)	(28,522)	(19,728)	(48,250)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		–	–	–	60,375	–	–	60,375	17,231	77,606
Total comprehensive income/(loss) for the year		–	–	–	60,375	–	(28,522)	31,853	(2,497)	29,356
Capital contributions from non-controlling shareholders		–	–	–	–	–	–	–	33,942	33,942
Transfer between reserves		–	–	–	–	10,439	(10,439)	–	–	–
Acquisition of subsidiaries	*40*	–	–	–	–	–	–	–	140,695	140,695
At December 31, 2017		–	–*	872,867*	49,863*	15,827*	(174,721)*	763,836	337,605	1,101,441

		Attributable to owners of the parent								
		Issued capital	Capital reserve	Merger reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	Notes	*HK$'000* (*note 36*)	*HK$'000* (*note 37(d)*)	*HK$'000* (*note 37(b)*)	*HK$'000*	*HK$'000* (*note 37(c)*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At December 31, 2017 and January 1, 2018		–	–	872,867	49,863	15,827	(174,721)	763,836	337,605	1,101,441
Profit for the year		–	–	–	–	–	430,383	430,383	41,558	471,941
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	(81,591)	–	–	(81,591)	(12,149)	(93,740)
Release upon disposal of a subsidiary	*41*	–	–	–	(4,216)	–	–	(4,216)	–	(4,216)
Total comprehensive income/(loss) for the year		–	–	–	(85,807)	–	430,383	344,576	29,409	373,985
Capital contributions by the then equity owners		–	–	450,000	–	–	–	450,000	–	450,000
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	57,335	57,335
Transfer between reserves		–	–	–	–	22,230	(22,230)	–	–	–
Acquisition of subsidiaries	*40*	–	–	–	–	–	–	–	142,994	142,994
Acquisition of a non-controlling interest		–	(2,936)	–	–	–	–	(2,936)	(3,436)	(6,372)
Disposal of subsidiaries	*41*	–	–	24,963	–	(3,276)	(21,687)	–	25,127	25,127
At December 31, 2018		–	(2,936)*	1,347,830*	(35,944)*	34,781*	211,745*	1,555,476	589,034	2,144,510
At January 1, 2019		–	(2,936)	1,347,830	(35,944)	34,781	211,745	1,555,476	589,034	2,144,510
Profit for the period		–	–	–	–	–	120,694	120,694	33,652	154,346
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations		–	–	–	(10,269)	–	–	(10,269)	4,874	(5,395)
Release upon disposal of subsidiaries	*41*	–	–	–	(38)	–	–	(38)	–	(38)
Total comprehensive income/(loss) for the period		–	–	–	(10,307)	–	120,694	110,387	38,526	148,913
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	11,794	11,794
Transfer between reserves		–	–	–	–	15,103	(15,103)	–	–	–
Issue of shares	*36*	1,350,000	–	(1,350,000)	–	–	–	–	–	–
Capital reduction	*36*	(1,080,000)	1,080,000	–	–	–	–	–	–	–
Acquisition of non-controlling interests		–	(4,890)	–	–	–	–	(4,890)	(21,863)	(26,753)
Disposal of subsidiaries	*41*	–	–	–	–	–	–	–	(80,481)	(80,481)
At June 30, 2019		270,000	1,072,174*	(2,170)*	(46,251)*	49,884*	317,336*	1,660,973	537,010	2,197,983

	Attributable to owners of the parent								
	Issued capital	Capital reserve	Merger reserve	Exchange fluctuation reserve	PRC reserve funds	Retained profits/ (accum-ulated losses)	Total	Non-controlling interests	Total equity
	HK$'000 (*note 36*)	*HK$'000* (*note 37(d)*)	*HK$'000* (*note 37(b)*)	*HK$'000*	*HK$'000* (*note 37(c)*)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At January 1, 2018	–	–	872,867	49,863	15,827	(174,721)	763,836	337,605	1,101,441
Profit for the period (Unaudited)	–	–	–	–	–	329,560	329,560	6,711	336,271
Other comprehensive income/(loss) for the period:									
Exchange differences on translation of foreign operations (Unaudited)	–	–	–	(9,073)	–	–	(9,073)	6,067	(3,006)
Release upon disposal of subsidiary (Unaudited)	–	–	–	(4,216)	–	–	(4,216)	–	(4,216)
Total comprehensive income/(loss) for the period (Unaudited)	–	–	–	(13,289)	–	329,560	316,271	12,778	329,049
Capital contributions from non-controlling shareholders (Unaudited)	–	–	–	–	–	–	–	9,861	9,861
Transfer between reserves (Unaudited)	–	–	–	–	7,232	(7,232)	–	–	–
Acquisition of subsidiaries (Unaudited)	–	–	–	–	–	–	–	59,757	59,757
Disposal of subsidiaries (Unaudited)	–	–	24,963	–	(3,276)	(21,687)	–	25,127	25,127
At June 30, 2018 (Unaudited)	–	–	897,830	36,574	19,783	125,920	1,080,107	445,128	1,525,235

* These reserve accounts comprise the consolidated reserves of HK$731,983,000, HK$763,836,000, HK$1,555,476,000 and HK$1,390,973,000 in the consolidated statements of financial position as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively.

(f) Consolidated statements of cash flows

	Notes	Year ended December 31, 2016	2017	2018	Six months ended June 30, 2018	2019
		HK$'000	HK$'000	HK$'000	HK$'000 (Unaudited)	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
From continuing operations		19,125	79,833	259,370	108,839	203,152
From a discontinued operation		(74,548)	(113,127)	258,043	258,043	–
Adjustments for:						
Depreciation of property, plant and equipment	14	7,125	56,731	128,537	57,250	95,246
Depreciation of right-of-use assets	15	329	9,614	21,868	10,598	18,227
Amortization of operating concessions	17	–	3,456	5,312	2,766	2,594
Amortization of intangible assets	18	49	112	667	604	185
Write-down of inventories to net realizable value	6/11	201	4,304	30,971	30,971	3,263
Impairment/(reversal of impairment) losses of trade receivables, net	6	–	360	1,534	222	(261)
Interest income		(407)	(713)	(7,744)	(1,651)	(6,138)
Finance costs		3,463	21,747	58,118	27,605	36,789
Gain on bargain purchase of subsidiaries	5	–	–	(4,726)	(776)	–
Gain on disposal of subsidiaries	41	–	–	(315,920)	(315,920)	(2,841)
Gain on disposal of an associate	5	–	–	(526)	(526)	–
Loss/(gain) on disposal of items of property, plant and equipment, net	6	–	41	189	67	(540)
Share of loss of an associate		–	191	–	–	–
Share of loss of a joint venture		–	–	1,184	461	698
		(44,663)	62,549	436,877	178,553	350,374
Decrease/(increase) in inventories		(27,426)	17,819	(51,765)	(38,591)	10,342
Decrease/(increase) in contract assets		–	(47,424)	(1,755)	(2,934)	26,443
Increase in trade and bills receivables		(30,395)	(78,596)	(276,510)	(201,756)	(219,719)
Increase in environmental decommissioning fees receivable		(19,692)	(76,437)	(58,016)	(16,590)	(36,117)
Decrease/(increase) in prepayments, deposits and other receivables		4,381	(38,522)	(61,139)	(83,128)	(28,790)
Increase/(decrease) in trade and bills payables		7,662	30,665	22,051	45,979	(1,902)
Increase/(decrease) in other payables and accruals		(87,461)	115,427	(43,404)	14,077	119,590
Increase/(decrease) in deferred income		232	(4,157)	16,907	(2,348)	17,643
		(197,362)	(18,676)	(16,754)	(106,738)	237,864
Corporate income tax paid in the People's Republic of China (the "**PRC**" or "**Mainland China**")		–	(7,095)	(34,690)	(25,309)	(36,591)
Net cash flows from/(used in) operating activities		(197,362)	(25,771)	(51,444)	(132,047)	201,273

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash flows from/(used in) operating activities		(197,362)	(25,771)	(51,444)	(132,047)	201,273
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of items of property, plant and equipment		(44,152)	(195,236)	(506,873)	(257,095)	(330,721)
Proceeds from disposal of items of property, plant and equipment		–	432	52,681	837	43,179
Proceed from disposal of a right-of-use asset	15	–	–	–	–	1,329
Additions to other intangible assets		(185)	(804)	(1,116)	(684)	(1,923)
Additions of right-of-use assets	15	(11,396)	(9,659)	(48,007)	–	(2,850)
Addition of an operating concession	17	–	–	–	–	(67,767)
Prepayments for acquisition of land use rights		–	–	(43,220)	(2,632)	–
Advances to related companies and non-controlling shareholders		(122,560)	(61,655)	(206,997)	(64,177)	–
Repayments from related companies and non-controlling shareholders		139	22,441	155,584	50,477	433,020
Incorporation of an associate		–	–	(592)	(592)	–
Acquisition of subsidiaries	40	(47,499)	253,579	(101,889)	(74,168)	–
Settlement of acquisition consideration payable		–	–	–	–	(52,150)
Acquisition of an investment in a joint venture		–	–	(20,419)	(20,419)	–
Disposal of subsidiaries	41	–	–	(2,360)	(2,360)	(7,029)
Disposal of an associate		–	–	4,779	4,779	–
Investment deposits paid for equity investments		–	(15,214)	–	–	–
Acquisition of an available-for-sale investment		–	(15,802)	–	–	–
Increase/(decrease) in pledged deposits		–	(12,496)	11,069	12,684	3,693
Increase in time deposits with maturity of more than three months when acquired		–	–	(57,065)	–	(912)
Interest received		407	713	7,744	1,651	6,138
Net cash flows from/(used in) investing activities		(225,246)	(33,701)	(756,681)	(351,699)	24,007

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
CASH FLOWS FROM FINANCING ACTIVITIES						
Capital contributions by the then equity owners		900,000	330,480	119,520	–	–
Capital contributions from non-controlling shareholders		–	33,942	57,335	9,861	11,794
Distribution to the then equity holders		(283,447)	–	–	–	–
Repayments of bank and other borrowings		–	(446,706)	(155,276)	(49,941)	(151,369)
New bank and other borrowings		202,899	807,902	1,010,884	803,129	140,023
Principal portion of lease payments		–	(4,301)	(21,223)	(19,022)	(16,886)
Advances from related companies and non-controlling shareholders		17,880	26,593	4,358	15,646	5,210
Repayments to related companies and non-controlling shareholders		(23,419)	(474,277)	(99,109)	(5,575)	(11,922)
Interest paid		(3,463)	(18,939)	(50,336)	(23,569)	(30,201)
Dividends paid to non-controlling shareholders		(2,685)	–	–	–	–
Acquisition of non-controlling interest		–	–	(6,372)	–	(26,753)
Net cash flows from/(used in) financing activities		807,765	254,694	859,781	730,529	(80,104)
NET INCREASE IN CASH AND CASH EQUIVALENTS		385,157	195,222	51,656	246,783	145,176
Cash and cash equivalents at beginning of year/period		7,933	405,306	631,114	631,114	677,249
Effect of foreign exchange rate changes, net		12,216	30,586	(5,521)	1,187	6,124
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		405,306	631,114	677,249	879,084	828,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the consolidated statements of financial position	28	405,306	631,114	734,314	879,084	886,526
Less: Time deposit with maturity of more than three months when acquired		–	–	(57,065)	–	(57,977)
Cash and cash equivalents as stated in the consolidated statements of cash flows		405,306	631,114	677,249	879,084	828,549

Note: Net cash flows used in operating activities from continuing operations were HK$84,908,000, HK$20,127,000, HK$49,463,000 and HK$130,066,000 for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018, respectively. Net cash flows generated from operating activities from continuing operations was HK$201,273,000 for the six months ended June 30, 2019.

Net cash flows used in operating activities from a discontinued operation were HK$112,454,000, HK$5,644,000, HK$1,981,000, HK$1,981,000 and nil for the years ended December 31, 2016, 2017 and 2018 and the six months ended June 30, 2018 and 2019, respectively.

(g) Statements of financial position

	Notes	**As at June 30, 2019**
		HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary		1,316,262
CURRENT ASSETS		
Prepayments		9,896
CURRENT LIABILITY		
Due to a subsidiary		9,896
NET CURRENT ASSETS		–
TOTAL ASSETS LESS CURRENT LIABILITY		1,316,262
Net assets		1,316,262
EQUITY		
Issued capital	*36*	270,000
Reserves	*37*	1,046,262
Total equity		1,316,262

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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 is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

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

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Tuoketuo) Limited 北控城市服務(托克托)有限公司 *(note (a))*#	the PRC March 15, 2016	RMB7,590,000	–	100	Environmental hygiene services
Beijing Enterprises Cleaning (Beijing) Urban Environmental Service Limited 北控清道夫(北京)城市環境服務有限公司 *(note (a))*@	the PRC March 1, 2017	RMB960,000	–	51	Environmental hygiene services
Beijing Enterprises Binnan (Chongqing) Urban Services Company Limited ("**Binnan Group**") 北控濱南(重慶)城市綜合服務股份有限公司 *(note (b))*	the PRC August 16, 2008	RMB107,510,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Xinji) Limited 北控城市服務(辛集)有限公司 *(note (a))*#	the PRC April 12, 2016	RMB15,000,000	–	100	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises (Henan) Environmental Development Limited 北控(河南)環境發展有限公司 *(note (a))*[@]	the PRC May 6, 2016	RMB6,278,000	–	73	Environmental hygiene services
Beijing Enterprises Urban Services (Renhua) Limited 北控城市服務(仁化)有限公司 *(note (a))*	the PRC June 1, 2016	RMB4,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Tangshan) Environmental Service Limited 北控(唐山)環境服務有限公司 *(note (a))*[#]	the PRC July 28, 2016	RMB6,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司 *(note (a))*[#]	the PRC September 30, 2016	RMB17,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nong'an) Limited 北控城市服務(農安)有限公司 *(note (a))*[#]	the PRC November 11, 2016	RMB14,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Limited 北控城市服務(禮泉)有限公司 *(note (a))*[#]	the PRC November 16, 2016	RMB9,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanxiong) Limited 北控城市服務(南雄)有限公司 *(note (a))*	the PRC November 22, 2016	RMB7,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zhongning) Limited 北控城市服務(中寧)有限公司 *(note (a))*[@]	the PRC December 2, 2016	RMB15,150,000	–	70	Environmental hygiene services
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控(秦皇島)環境服務有限公司 *(note (a))*[@]	the PRC December 27, 2016	RMB8,000,000	–	90	Environmental hygiene services
Beijing Enterprises Urban Services (Hohhot Saihan District) Limited 北控城市服務(呼和浩特市賽罕區)有限公司 *(note (c))*[@]	the PRC April 11, 2017	RMB6,700,000	–	67	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(陝西)有限公司 *(note (c))*#	the PRC December 29, 2016	RMB3,617,550	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Limited 北控城市服務(武功)有限公司 *(note (c))*	the PRC March 16, 2017	RMB742,400	–	100	Environmental hygiene services
Beijing Enterprises (Tangshan) Urban Services Limited 北控(唐山)城市服務有限公司 *(note (c))*#	the PRC March 30, 2017	RMB5,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Hohhot Huimin District) Limited 北控城市服務(呼和浩特市回民區)有限公司 *(note (c))*#	the PRC April 11, 2017	RMB4,000,000	–	100	Environmental hygiene services
Beijing Enterprises Environmental Investment (Sichuan) Limited 北控環境投資(四川)有限公司 *(note (c))*@	the PRC May 18, 2017	RMB30,000,000	–	60	Environmental hygiene services
Beijing Enterprises Environmental Investment (Guizhou) Limited 北控環境投資(貴州)有限公司 *(note (c))*@	the PRC November 24, 2016	RMB30,000,000	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Puyang) Limited 北控城市服務(濮陽)有限公司 *(note (c))*@	the PRC July 25, 2017	RMB12,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Xuyong) Limited 北控城市服務(敘永)有限公司 *(note (c))*	the PRC August 9, 2017	RMB500,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Dafang) Limited 北控城市服務(大方)有限公司 *(note (c))*#	the PRC August 24, 2017	RMB1,890,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Wuchuan) Limited 北控城市服務(務川)有限公司 *(note (c))*#	the PRC June 1, 2017	RMB18,000,000	–	100	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Keyouzhongqi) Limited 北控城市服務(科右中旗)有限公司 *(note (c))*@	the PRC May 9, 2017	RMB6,566,000	–	67	Environmental hygiene services
Guangxi Guigang Beijing Enterprises Water Environmental Sanitation Services Limited 廣西貴港北控水務環衛服務有限公司 *(note (a))*#	the PRC September 13, 2013	RMB5,000,000	–	100	Environmental hygiene services
Guangxi Guigang Beijing Enterprises Water Medical Waste Treatment Limited 廣西貴港北控水務醫療廢物處理有限公司 *(note (a))*#	the PRC July 4, 2014	RMB5,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban City (Beijing) Environmental Technology Limited 北控城市(北京)環境科技有限公司 *(note (c))*#	the PRC March 28, 2017	RMB300,000,000	–	100	Provision of business management services
Puer Binnan Environmental Management Limited 普洱濱南環境管理有限公司 *(note (d))*	the PRC June 17, 2016	RMB9,162,000	–	46*	Environmental hygiene services
Jiangxi Beijing Enterprises Urban Mineral Co., Ltd. ("**Jiangxi Mineral**") 江西北控城市礦產有限公司 *(note (e))*	the PRC February 21, 2011	RMB30,000,000	–	59	Provision of waste electrical and electronic equipment treatment services
Shaanxi Beijing Enterprises Recycling Resources Limited 陝西北控再生資源有限公司 *(note (f))*	the PRC May 18, 2010	RMB26,540,000	–	65	Provision of waste electrical and electronic equipment treatment services
Shandong Pingfu Environmental Services Limited 山東平福環境服務有限公司 *(note (g))*	the PRC January 25, 2008	RMB47,280,000	–	65	Hazardous waste treatment
Beijing Enterprises Urban Services (Cangzhou Nanpi) Limited 北控城市服務(滄州南皮)有限公司 *(note (c))*#	the PRC October 30, 2017	RMB23,000,000	–	100	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Qindu) Limited 北控城市服務(秦都)有限公司 *(note (c))*@	the PRC October 31, 2017	RMB20,000,000	–	75	Environmental hygiene services
Ningjin Beijing Enterprises Urban Services Limited 寧津北控城市服務有限公司 *(note (c))*	the PRC August 9, 2017	RMB3,000,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services Chengde Limited 北控城市服務承德有限公司 *(note (c))*#	the PRC November 10, 2017	RMB15,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司 *(note (c))*	the PRC November 17, 2017	RMB4,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Yongshou) Limited 北控城市服務(永壽)有限公司 *(note (c))*@	the PRC October 31, 2017	RMB6,700,000	–	75	Environmental hygiene services
Beijing Enterprises Urban Services (Cangzhou Su'ning) Limited 北控城市服務(滄州肅寧)有限公司#	the PRC January 4, 2018	RMB8,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Gansu) Limited 北控城市服務(甘肅)有限公司@	the PRC December 15, 2017	RMB50,000,000	–	60	Environmental hygiene services
Zhijin Binnan Urban Comprehensive Services Limited 織金縣濱南城市綜合服務有限公司 *(note (c))*	the PRC September 2, 2016	RMB10,000,000	–	31*	Environmental hygiene services
Beijing Enterprises Haiwo (Yangzhou) Environmental Service Limited 北控海沃(揚州)環境服務有限公司@	the PRC December 26, 2016	RMB10,000,000	–	70	Environmental hygiene services
Weifang Beijing Enterprises Environmental Technic Limited 濰坊北控環境技術有限公司 *(note (g))*	the PRC June 13, 2016	RMB5,600,000	–	33*	Hazardous waste treatment

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Qinghai Xintiandi Solid Waste Treatment Limited 青海新天地固體廢物綜合處置有限公司 *(note (c))*	the PRC August 26, 2016	RMB8,000,000	–	65	Hazardous waste treatment
Geermu Environmental Services Limited 格爾木綠水青山環保服務有限公司 *(note (c))*	the PRC October 25, 2016	RMB10,000,000	–	65	Hazardous waste treatment
Guangxi Beijing Enterprises Urban Resources Limited 廣西北控城市資源有限公司 *(note (g))*	the PRC September 17, 2012	RMB36,860,000	–	65	Waste electrical and electronic equipment treatment services
Xining Pingfu Environmental Technic Limited 西寧平福環境技術有限公司 *(note (c))*	the PRC March 2, 2017	RMB10,000,000	–	39*	Hazardous waste treatment
Chongqing Beijing Enterprises Recycled Resources Limited 重慶北控再生資源有限公司 *(note (g))*	the PRC November 4, 2010	RMB64,270,000	–	65	Waste electrical and electronic equipment treatment services
Beijing Enterprises Urban Environmental Resources (Yichang) Limited 北控城市環境資源(宜昌)有限公司 *(note (c))*@	the PRC August 23, 2017	RMB50,000,000	–	60	Solid waste disposal
Xinjiang Beijing Enterprises Environmental Resources Limited 新疆北控環境資源有限公司	the PRC February 24, 2017	RMB25,000,000	–	80	Hazardous waste treatment
Beijing Enterprises Urban Services (Qingshuihe) Limited 北控城市服務(清水河)有限公司#	the PRC January 8, 2018	RMB5,200,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanjing) Limited 北控城市服務(南京)有限公司@	the PRC January 26, 2018	RMB2,780,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Changwu) Limited 北控城市服務(長武)有限公司@	the PRC January 23, 2018	RMB5,000,000	–	80	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Xiuwen) Limited 北控城市服務(修文)有限公司	the PRC February 2, 2018	RMB10,000,000	–	55	Environmental hygiene services
Beijing Enterprises Urban Services (Wugong) Town Sanitation Services Limited 北控城市服務(武功)城鎮環衛服務有限公司@	the PRC May 3, 2018	RMB5,500,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Heshun) Limited 北控城市服務(和順)有限公司#	the PRC May 9, 2018	RMB7,700,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Weicheng) Limited 北控城市服務(渭城)有限公司@	the PRC May 2, 2018	RMB20,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Binxian) Limited 北控城市服務(彬縣)有限公司@	the PRC May 3, 2018	RMB8,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Services (Guide) Limited 北控城市服務(貴德)有限公司@	the PRC April 10, 2018	RMB5,000,000	–	66	Environmental hygiene services
Beijing Enterprises Urban Services (Beilin) Limited 北控城市服務(碑林)有限公司	the PRC May 2, 2018	RMB4,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Baoding Tangxian) Limited 北控城市服務(保定唐縣)有限公司#	the PRC April 10, 2018	RMB9,100,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Lankao) Limited 北控城市服務(蘭考)有限公司#	the PRC March 28, 2018	RMB16,603,000	–	100	Environmental hygiene services
Beijing Enterprises (Chuxiong) Environmental Management Limited 北控(楚雄)環境管理有限公司#	the PRC May 7, 2018	RMB4,650,000	–	100	Environmental hygiene services
Chuxiong Beijing Enterprises Environmental Technology Limited 楚雄北控環保科技有限公司#	the PRC May 10, 2018	RMB4,960,000	–	100	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Liquan) Town Sanitation Services Limited 北控城市服務(禮泉)城鎮環衛服務有限公司@	the PRC May 3, 2018	RMB10,000,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Longnan) Limited 北控城市服務(隴南)有限公司	the PRC May 24, 2018	RMB3,500,000	–	60	Environmental hygiene services
Beijing Enterprises Urban Services (Yanhe) Limited 北控城市服務(沿河)有限公司#	the PRC June 11, 2018	RMB10,000,000	–	55	Environmental hygiene services
Shenyang Beijing Enterprises Huichang Urban Environmental Services Limited 沈陽北控慧昌城市環境服務有限公司@	the PRC July 10, 2018	RMB50,000,000	–	95	Environmental hygiene services
Beijing Enterprises Urban Services (Xintian) Limited 北控城市服務(新田)有限公司	the PRC July 26, 2018	RMB20,000,000	–	90	Environmental hygiene services
Beijing Enterprises (Tangshan) Municipal Construction Limited 北控(唐山)市政工程有限公司#	the PRC August 3, 2018	RMB5,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Jixian) Limited 北控城市服務(吉縣)有限公司#	the PRC August 8, 2018	RMB5,700,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Lintao) Limited 北控城市服務(臨洮)有限公司	the PRC August 23, 2018	RMB12,780,000	–	60	Environmental hygiene services
Wulanchabu Beijing Enterprises Urban Services Limited 烏蘭察布北控城市服務有限公司	the PRC September 4, 2018	RMB1,000,000	–	51	Environmental hygiene services
Qihexian Beijing Enterprises Urban Services Limited 齊河縣北控環境服務有限公司	the PRC September 19, 2018	RMB5,000,000	–	36*	Environmental hygiene services
Guyuanxian Beijing Enterprises Qingdaofu Environmental Services Limited 沽源縣北控清道夫環境服務有限公司#	the PRC November 7, 2018	RMB6,000,000	–	51	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Yongzhou) Limited 北控城市服務(永州)有限公司@	the PRC November 13, 2018	RMB2,450,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Qingxu) Limited 北控城市服務(清徐)有限公司#	the PRC September 14, 2018	RMB17,600,000	–	100	Environmental hygiene services
Beijing Enterprises Binnan Kangjian (Chongqing) Environmental Construction Limited 北控濱南康健(重慶)環境工程有限公司 *(note (i))*#	the PRC August 16, 2012	RMB50,000,000	–	51	Environmental hygiene services
Beijing Enterprises Binnan Kangjian (Fuyuan) Environmental Construction Limited 北控濱南康健(撫遠)環境工程有限公司	the PRC June 5, 2018	RMB10,000,000	–	51	Environmental hygiene services
Dayao Beijing Enterprises Kangjian Environmental Services Limited 大姚北控康健環境服務有限公司	the PRC July 5, 2018	RMB1,000,000	–	36*	Environmental hygiene services
Zunhua Beijing Enterprises Kangjian Environmental Construction Limited 遵化北控康健環境工程有限公司	the PRC July 27, 2018	RMB1,000,000	–	51	Environmental hygiene services
Yunnan Beijing Enterprises Environmental Service Limited ("**Yunnan**") 雲南北控環境服務有限公司@	the PRC July 25, 2017	RMB68,000,000	–	70	Environmental hygiene services
Beijing Enterprises Urban Resources Exploitation (Zigong) Limited 北控城市環境資源開發(自貢)有限公司#	the PRC April 2, 2018	RMB50,000,000	–	100	Hazardous waste treatment
Tibet Pingfu Environmental Technology Limited 西藏平福環保科技有限公司	the PRC June 5, 2018	RMB5,000,000	–	100	Hazardous waste treatment
Ningxia Beijing Enterprises Ruiyuan Recycling Resources Limited ("**Ningxia**") 寧夏北控睿源再生資源有限公司^	the PRC January 27, 2015	RMB120,000,000	–	61	Hazardous waste treatment

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hubei Pingfu Environmental Technology Limited 湖北平福環保科技有限公司	the PRC July 3, 2018	RMB20,000,000	–	100	Hazardous waste treatment
Xinjiang Xiyu Beijing Enterprises Environmental Construction Limited 新疆西域北控環境工程有限公司	the PRC December 8, 2017	RMB17,500,000	–	66	Hazardous waste treatment
Hami Beijing Enterprises Environmental Services Limited 哈密北控環境服務有限公司#	the PRC September 7, 2018	RMB50,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Urban Services (Baoding Dingxing) Limited 北控城市服務(保定定興)有限公司 *(note (a))*#	the PRC March 10, 2016	RMB10,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Linzhang) Limited 北控城市服務(臨漳)有限公司 *(note (k))*#&	the PRC March 1, 2019	RMB9,800,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Yichang) Limited 北控城市服務(宜昌)有限公司 *(note (k))*#&	the PRC January 21, 2019	RMB20,000,000	–	100	Environmental hygiene services
Beijing Enterprises Kangjian (Ankang) Environmental Construction Limited 北控康健(安康)環境工程有限公司 *(note (k))*&	the PRC January 18, 2019	RMB1,000,000	–	46*	Environmental hygiene services
Shizhong Beijing Enterprises Binnan Environmental Services Limited 師宗北控濱南環境服務有限公司 *(note (k))*&	the PRC March 11, 2019	RMB3,000,000	–	51	Environmental hygiene services
Jiangsu Beijing Enterprises Jinqiangwei Urban Services Limited 江蘇北控金薔薇城市服務有限公司 *(note (k))*&	the PRC January 7, 2019	RMB50,000,000	–	60	Environmental hygiene services
Beijing Enterprises Kangjian (Hubei) Environmental Construction Limited 北控康健(湖北)環境工程有限公司 *(note (k))*#&	the PRC April 9, 2019	RMB1,000,000	–	51	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Xianju Beijing Enterprises Urban Environmental Technology Limited 仙居北控城市環境科技有限公司 *(note (k))*#&	the PRC October 15, 2018	RMB50,000,000	–	100	Hazardous waste treatment
Beijing Enterprises Zhongyan Properties Management Limited 北京北控中燕物業管理有限公司 *(note (k))*#&	the PRC December 6, 2018	RMB30,000,000	–	100	Environmental hygiene services

Notes:

A wholly-foreign-owned enterprise under PRC law

@ A Chinese-Foreign Equity Joint Venture enterprise under PRC law

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

^ Newly acquired in 2018

& Newly set-up in 2019

(a) The statutory financial statements for the years/periods ended December 31, 2016 and 2017 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Mazars Certified Public Accountants (Special General Partnership) H L J Branch, certified public accountants registered in the PRC.

(b) The statutory financial statements for the years/periods ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by Chongqing Lihua Certified Public Accountants (General Partner), certified public accountants registered in the PRC, and Mazars Certified Public Accountants (Special General Partnership) H L J Branch, respectively.

(c) The statutory financial statements for the year/period ended December 31, 2017 prepared under PRC GAAP were audited by Mazars Certified Public Accountants (Special General Partnership) H L J Branch, certified public accountants registered in the PRC.

(d) The statutory financial statements for the years ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by Huirui (Chongqing) Accounting firm (Ordinary Partnership), certified public accountants registered in the PRC, and Mazars Certified Public Accountants (Special General Partnership) H L J Branch, respectively.

(e) The statutory financial statements for the years ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by Jiangxi Tianjian Certified Public Accountants Co., Ltd. and Mazars Certified Public Accountants (Special General Partnership) H L J Branch, respectively.

(f) The statutory financial statements for the years ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by Shanxi Kanghua Certified Public Accountants, certified public accountants registered in the PRC, and Mazars Certified Public Accountants (Special General Partnership) H L J Branch, respectively.

(g) The statutory financial statements for the years ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by ShineWing Certified Public Accountants and Mazars Certified Public Accountants (Special General Partnership) H L J Branch, respectively.

(h) The statutory financial statements for the year ended December 31, 2017 prepared under PRC GAAP were audited by Huangputianjian Certified Public Accountants LLP Zhejiang Branch, certified public accountants registered in the PRC.

(i) The statutory financial statements for the years ended December 31, 2016 and 2017 prepared under PRC GAAP were audited by Chongqing Huaxin Certified Public Accountants LLP, certified public accountants registered in the PRC.

(j) Except for the companies with no audited financial statements prepared up to the date of this report (note (k)), the statutory financial statements for the year ended 31 December 2018 for the companies as listed in the above table were prepared under PRC GAAP and audited by Zhongxingcai Guanghua Certified Public Accountants LLP H L J Branch.

(k) No audited financial statements have been prepared for these companies up to the date of this report.

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

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on March 26, 2019. As the Reorganization only involved inserting a new holding entity at the top of an existing group held by Mind Light Holdings Limited ("**Mind Light**"), an entity incorporated in the British Virgin Islands in 2015, and has not resulted in any change of economic substances, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group using merger accounting.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position as at December 31, 2016, 2017 and 2018 and June 30, 2019 present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

Merger accounting for business combinations involving entities under common control

During the year ended December 31, 2016, certain companies now comprising the Group were acquired from Beijing Enterprises Water Group Limited ("**BEWG**"), the then holding company of Mind Light before December 7, 2016. Such acquisitions were regarded as business combinations under common control as Mind Light and those companies acquired were ultimately controlled by BEWG before and after the acquisitions. All business combinations under common control were accounted for using merger accounting as if such acquisitions had been completed at the beginning of the Relevant Periods.

The results and cash flows of the companies acquired were included from the earliest date presented or since the date when the subsidiaries first came under the common control of BEWG, where this is a shorter period. The assets and liabilities of the companies acquired were included using the existing book values from BEWG's perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the such acquisitions.

Equity interests in subsidiaries held by parties other than BEWG, and changes therein, prior to the business combinations under common control are presented as non-controlling interests in equity in applying the principles of merger accounting. Thereafter, 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 transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. Except for HKFRS 9 *Financial Instruments*, all HKFRSs, including HKFRS 15 and HKFRS 16, effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information. Further details of the adoption of HKFRS 9 are included in note 2.3 to the Historical Financial Information.

The Historical Financial Information has been prepared under the historical cost convention.

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of a subsidiary are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

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.

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 in the accounting policy for subsidiaries 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 derecognizes (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 recognizes (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 recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted HKFRS 9 since January 1, 2018. The Group has not restated financial information from January 1, 2016 to December 31, 2017 for financial instruments in the scope of HKFRS 9. The financial information from January 1, 2016 to December 31, 2017 related to financial instruments is reported under Hong Kong Accounting Standard ("**HKAS**") 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018 and six months ended 30 June 2019. The impacts related to the classification and measurement and impairment requirements are summarized as follows:

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at January 1, 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	Re-classification	Amount	Category
			HK$'000	HK$'000	HK$'000	
Financial assets						
Equity investment designated at fair value through other comprehensive income		N/A	–	15,802	15,802	FVOCI[1] (equity)
From: Available-for-sale investment	(i)		–	15,802		
Available-for-sale investment		AFS[2]	15,802	(15,802)	–	N/A
To: Equity investment designated at fair value through other comprehensive income	(i)			(15,802)		
Trade and bills receivables		L&R[3]	380,242	–	380,242	AC[4]
Environmental decommissioning fees receivable		L&R	82,321	–	82,321	AC
Financial assets included in prepayments, deposits and other receivables		L&R	67,870	–	67,870	AC
Due from related companies		L&R	29,041	–	29,041	AC
Due from non-controlling shareholders		L&R	113,197	–	113,197	AC
Pledged deposits		L&R	16,351	–	16,351	AC
Cash and cash equivalents		L&R	631,114	–	631,114	AC
			1,335,938	–	1,335,938	
Other assets						
Contract assets			49,107	–	49,107	AC
			49,107	–	49,107	
Total assets			1,385,045	–	1,385,045	
Financial liabilities						
Trade and bills payables		AC	76,273	–	76,273	AC
Financial liabilities included in other payables and accruals		AC	498,807	–	498,807	AC
Due to related companies and shareholders		AC	361,061	–	361,061	AC
Due to non-controlling shareholders		AC	111,157	–	111,157	AC
Interest-bearing bank and other borrowings		AC	696,821	–	696,821	AC
Total liabilities			1,744,119	–	1,744,119	

[1] FVOCI: Financial assets at fair value through other comprehensive income
[2] AFS: Available-for-sale investment
[3] L&R: Loans and receivables
[4] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has elected the option to irrevocably designate of its available-for-sale equity investment as equity investment at fair value through other comprehensive income.

Impairment

Upon the adoption of HKFRS 9, no opening adjustment was recognised on ECL allowances as at January 1, 2018 as the financial impact was immaterial to the Group. The HKAS 39's incurred loss calculations were replaced by HKFRS 9's expected credit losses. The related accounting policies for impairment under both HKAS 39 and HKFRS 9 are included in note 2.5 to the Historical Financial Information.

Impact on reserves and retained profits

The adoption of HKFRS 9 has had no material impact on reserves and retained profits as at January 1, 2018.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]

[1] Effective for annual periods beginning on or after January 1, 2020
[2] Effective for annual periods beginning on or after January 1, 2021
[3] No mandatory effective date yet determined but available for adoption

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

The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from January 1, 2020.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from January 1, 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the combined statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

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

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

Business combinations not under common control and goodwill

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

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

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

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

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

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

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

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

Service concession arrangements

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

Under these service concession arrangements:

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

Consideration paid to the grantor

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

Construction services

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

Operating services

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, income tax recoverable, other tax recoverable, contract assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Leases

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

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

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

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (i.e., those leases that have a lease term of l2 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Discontinued operation

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

In addition, it must satisfy any of the following criteria:

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

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

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

The comparative statements of profit or loss have been restated and re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative periods presented in the Historical Financial Information.

Intangible assets (other than goodwill)

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

Operating concessions

Operating concessions representing the rights to provide environmental hygiene services. Amortization is provided on the straight-line basis over the respective periods of the operating concessions granted to the Group of 25 years.

Computer software

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

Investments and other financial assets (policies under HKFRS 9 applicable from January 1, 2018)

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent measurement

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

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

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

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

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

Investments and other financial assets (policies under HKAS 39 applicable before January 1, 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables, or available-for-sale investment, as appropriate. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Derecognition of financial assets (policies under HKFRS 9 applicable from January 1, 2018 and policies under HKAS 39 applicable before January 1, 2018)

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

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

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

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

Impairment of financial assets (policies under HKFRS 9 applicable from January 1, 2018)

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

General approach

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

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

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

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

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

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

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

Simplified approach

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

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

Impairment of financial assets (policies under HKAS 39 applicable before January 1, 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

If there is objective evidence that an impairment loss has been incurred on the unlisted equity investment that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018)

Initial recognition and measurement

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

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

Subsequent measurement – loans and borrowings

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

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

Derecognition of financial instruments (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018)

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

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

Offsetting of financial instruments (policies under HKFRS 9 applicable from January 1, 2018 and HKAS 39 applicable before January 1, 2018)

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

Inventories

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Contract costs

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

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

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

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Provision of environmental hygiene services

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

(b) Provision of hazardous waste treatment services

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

(c) Sales of refined chemical and other products and sales of dismantled products

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

(d) Construction services

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

Revenue from other sources

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

Other income

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

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other employee benefits

Defined contribution plans

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

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

Borrowing costs

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

Foreign currencies

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

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

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

The functional currency of the subsidiaries in Mainland China is currency other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of this entity are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and its statement of profit or loss is translated into Hong Kong dollars at the weighted average exchange rates for the year/period.

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Classification of discontinued operations

Operations that are classified as held for sale or have been disposed of, are presented as discontinued operations in the consolidated statements of profit or loss when the operations represent a major separate line of business or geographical area of operations, are part of a single coordinated disposal plan or represent a subsidiary acquired exclusively with a view to resale. The assessment on what is a major separate line of business or a major geographical area of operations is done on a case by case basis and depends on the size of the operations as compared to the total operations of the Group.

Management also exercises judgement to determine whether an operation is classified as held for sale, which depends on whether the sale of the operation is highly probable. For the sale to be highly probable, the management must have committed to a plan to sell the operation and have an active programme to locate a buyer and the plan must have been initiated. Further, the operation must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill were HK$121,447,000, HK$200,720,000 and HK$392,878,000 and HK$336,298,000 at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively. Further details are set out in note 16 to the Historical Financial Information.

Impairment of property, plant and equipment

The carrying amounts of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.5 to the Historical Financial Information. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position. The carrying amounts of property, plant and equipment in the consolidated statements of financial positions as at December 31, 2016, 2017 and 2018 and June 30, 2019 were HK$505,784,000, HK$1,008,126,000, HK$1,526,868,000 and HK$1,491,932,000 respectively, details of which are set out in note 14 to the Historical Financial Information.

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

The policy for provision for expected credit losses on contract assets, trade receivables, environmental decommissioning fees receivable and other receivables of the Group is based on an ECL model. A considerable amount of estimation is required in assessing the available information which includes information about past events, current conditions and forecasts future economic conditions to estimate the ECL. The carrying amounts of contract assets, trade receivables, environmental decommissioning fees receivable and other receivables other than prepayments carried as assets in the consolidated statements of financial position as at December 31, 2016, 2017 and 2018 and June 30, 2019 were set out in notes 22, 24, 25 and 26 to the Historical Financial Information.

4. 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 before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income and finance costs as well as head office and corporate expenses are excluded from such measurement.

	Environmental hygiene services					Hazardous waste treatment					Others					Total				
	Year ended December 31,			Six months ended June 30,		Year ended December 31,			Six months ended June 30,		Year ended December 31,			Six months ended June 30,		Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019	2016	2017	2018	2018	2019	2016	2017	2018	2018	2019	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Segment revenue ***(note 5)*****:**																				
Sales to external customers	18,512	662,181	1,613,425	728,899	1,094,849	6,128	144,013	422,209	132,692	277,213	–	106,186	176,198	85,972	103,221	24,640	912,380	2,211,832	947,563	1,475,283
Segment results	6,427	49,028	103,885	64,831	132,686	2,332	67,799	214,260	51,470	90,444	–	4,961	35,110	17,006	22,081	8,759	121,788	353,255	133,307	245,211
Reconciliation:																				
Interest income																307	635	7,694	1,601	6,138
Other corporate gains																11,342	23,797	49,075	17,272	24,639
Finance costs																(265)	(11,152)	(50,167)	(19,654)	(36,789)
Corporate and other unallocated expenses																(1,018)	(55,235)	(100,487)	(23,687)	(36,047)
Profit before tax from continuing operations																19,125	79,833	259,370	108,839	203,152
Other segment information:																				
Share of loss of an associate	–	–	–	–	–	–	191	–	–	–	–	–	–	–	–	–	191	–	–	–
Share of loss of a joint venture	–	–	1,184	461	698	–	–	–	–	–	–	–	–	–	–	–	–	1,184	461	698
Impairment losses/(reversal of impairment losses) recognized in the statement of profit or loss	–	360	232	–	(360)	–	–	1,302	222	99	–	–	–	–	–	–	360	1,534	222	(261)
Depreciation and amortization	3,243	36,588	115,663	49,358	69,364	480	20,823	29,915	15,004	42,850	432	6,320	6,655	2,798	4,038	4,155	63,731	152,233	67,160	116,252
Investment in an associate	–	–	571	593	568	4,159	4,253	–	–	–	–	–	–	–	–	4,159	4,253	571	593	568
Investment in a joint venture	–	–	–	–	–	–	–	33,618	34,765	32,800	–	–	–	–	–	–	–	33,618	34,765	32,800
Capital expenditure*	–	446,317	393,436	177,208	267,645	455,010	183,120	606,736	125,355	161,668	57,790	13,468	71,477	38,967	3,393	512,800	642,905	1,071,649	341,530	432,706

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, operating concessions and intangible assets including assets from the acquisition of subsidiaries.

Geographical information

(a) All of the Group's revenue from continuing operations from external customers was derived from the Group's operations in the PRC during the Relevant Periods.

(b) Over 90% of the Group's non-current assets from continuing operations were derived from the Group's operations in the PRC during the Relevant Periods.

Information about major customers

Revenue from continuing operations from an individual customer which accounted for 10% or more of the Group's revenue during each of the Relevant Periods is set out as below:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Customer A	19,010	N/A*	N/A*	N/A*	N/A*

* Less than 10% of the Group's revenue from continuing operations

5. REVENUE, OTHER INCOME AND GAINS, NET

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

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue from contract customers						
Environmental hygiene services						
– Environmental hygiene services	*(a)*	18,512	614,757	1,610,067	727,072	1,094,849
– Construction services	*(a)*	–	47,424	3,358	1,827	–
Hazardous waste treatment businesses						
– Hazardous waste treatment services	*(a)*	6,128	144,013	251,274	85,065	131,483
– Sale of refined chemical and other products	*(a)*	–	–	170,935	47,627	145,730
Sale of dismantled products	*(a)*	–	54,403	88,655	42,079	51,694
		24,640	860,597	2,124,289	903,670	1,423,756
Revenue from other source						
Environmental decommissioning fees income		–	51,783	87,543	43,893	51,527
		24,640	912,380	2,211,832	947,563	1,475,283

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Other income and gains, net						
Interest income		307	635	7,694	1,601	6,138
Foreign exchange differences, net		10,666	–	2,039	727	71
Government grants	*(b)*	–	3,887	5,596	2,985	3,124
VAT refunds	*(c)*	–	12,420	19,552	5,325	11,586
Consultancy services provided	*(a)*	–	4,842	11,135	4,993	5,907
Gain on bargain purchase of subsidiaries	*40*	–	–	4,726	776	–
Gain on disposal of subsidiaries	*41*	–	–	206	206	2,841
Gain on disposal of an associate		–	–	526	526	–
Others		676	2,648	5,295	1,734	1,110
		11,649	24,432	56,769	18,873	30,777

Notes:

(a) Disaggregated revenue information

Environmental hygiene services and construction services are recognised over time. Hazardous waste treatment services, sale of refined chemical and other products, sale of dismantled products and consultancy services are recognised at a point in time.

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:					
Hazardous waste treatment businesses					
– Hazardous waste treatment services	–	922	9,615	3,220	20,001
– Sale of refined chemical and other products	–	–	–	–	1,139
Sale of dismantled products	–	153	286	165	400
	–	1,075	9,901	3,385	21,540

(b) The government grants recognised during the Relevant Periods 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) The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of environmental hygiene services in the Relevant Periods are as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	–	857,525	1,676,046	1,652,170
More than one year	–	8,002,806	13,329,799	12,016,286
	–	8,860,331	15,005,845	13,668,456

The remaining performance obligations expected to be recognised in more than one year are to be satisfied from 2 to 25 years. The amounts disclosed above do not include variable consideration which is constrained.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

		Year ended December 31,			Six months ended June 30,	
		2016	2017	2018	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cost of inventories sold		–	89,101	232,655	90,432	153,282
Cost of services provided		15,626	577,025	1,350,596	590,532	930,990
Depreciation of property, plant and equipment		3,826	50,600	124,911	53,705	95,246
Depreciation of right-of-use assets		329	9,614	21,868	10,598	18,227
Amortisation of intangible assets		–	61	142	91	185
Amortisation of operating concessions*	*17*	–	3,456	5,312	2,766	2,594
Impairment/(reversal of impairment) losses of trade receivables, net	*24*	–	360	1,534	222	(261)
Write-down of inventories to net realisable value		–	–	–	–	3,263
Lease payments under short term leases		–	10,423	25,382	8,400	16,090
Loss/(gain) on disposal of items of property, plant and equipment		–	41	189	67	(540)
Auditors' remuneration		23	5,671	5,428	2,134	4,263
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):						
Salaries and benefits in kind		1,652	346,641	922,895	420,604	566,200
Pension scheme contributions		128	50,161	130,970	62,355	97,078
		1,780	396,802	1,053,865	482,959	663,278

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

7. FINANCE COSTS

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Interest on bank borrowings	265	4,770	41,070	14,354	29,359
Interest on other loans	–	3,574	3,573	1,264	3,792
Interest on lease liabilities *(note 30)*	–	2,589	7,547	3,914	5,688
Interest on other payable	–	–	–	–	780
Total interest on bank and other borrowings	265	10,933	52,190	19,532	39,619
Increase in discounted amounts of provision for major overhaul arising from the passage of time *(note 35)*	–	219	235	122	120
Total finance cost	265	11,152	52,425	19,654	39,739
Less: Interest capitalised	–	–	(2,258)	–	(2,950)
	265	11,152	50,167	19,654	36,789

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors during the three years ended December 31, 2016, 2017 and 2018.

趙克喜 (Zhao Kexi), 張海林 (Zhang Hailin) and 黃志萬 (Huang Zhiwan) were appointed as executive directors of the Company on March 26, 2019. 周敏 (Zhou Min), 李力 (Li Li) and 李海楓 (Li Haifeng) were appointed as non-executive directors of the Company on March 26, 2019. 趙克喜 (Zhao Kexi) was appointed as the chief executive of the Company on March 26, 2019.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors of the Company's subsidiaries for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019 of HK$2,336,000, HK$3,730,000, HK$4,558,000, HK$3,137,000 and HK$3,061,000, respectively, were borne by BEWG.

Directors' and chief executive's remuneration for the six months ended June 30, 2019 since their appointment, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
趙克喜 (Zhao Kexi) *(Chief Executive)*	–	243	–	–	35	278
張海林 (Zhang Hailin)	–	213	–	–	35	248
黃志萬 (Huang Zhiwan)	–	76	–	–	–	76
	–	532	–	–	70	602
Non-executive directors:						
周敏 (Zhou Min)	–	–	–	–	–	–
李力 (Li Li)	–	–	–	–	–	–
李海楓 (Li Haifeng)	–	–	–	–	–	–
	–	–	–	–	–	–
	–	532	–	–	70	602

No remuneration was paid to the directors and chief executive for the six months ended June 30, 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The highest paid employees who were directors of the Company for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019 include nil, nil, nil, nil and two, respectively. Details of the remuneration of the five highest paid employees who are neither a director nor chief executive officer of the Company for the years ended December 31, 2016, 2017 and 2018, and the six months ended June 30, 2018 and 2019, respectively, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, allowances and benefits in kind	1,997	2,236	4,491	1,212	1,197
Performance related bonuses	1,126	1,241	1,401	–	–
Pension scheme contributions	667	227	686	366	210
	3,790	3,704	6,578	1,578	1,407

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

	Number of employees				
	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK$1,000,000	5	5	4	5	3
HK$1,500,001 to HK$2,000,000	–	–	1	–	–
	5	5	5	5	3

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

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong for the Relevant Periods.

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 December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Current – Mainland China Charge for the year/period	–	14,071	41,185	26,130	48,988
Under-provision in prior years	–	–	4,670	4,854	–
Deferred *(note 34)*	(35)	885	(383)	(373)	(182)
Total tax charge/(credit) for the year/period from continuing operations	(35)	14,956	45,472	30,611	48,806
Total tax charge for the year/period from a discontinued operation	–	–	–	–	–
	(35)	14,956	45,472	30,611	48,806

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

Year ended December 31, 2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit before tax from continuing operations	10,924		8,201		19,125	
Loss before tax from a discontinued operation	–		(74,548)		(74,548)	
	10,924		(66,347)		(55,423)	
Tax at the statutory tax rate	1,802	16.5	(16,587)	25.0	(14,785)	26.7
Lower tax rates of specific provinces or enacted by local authorities	–	–	(2,190)	3.3	(2,190)	4.0
Income not subject to tax	(1,808)	(16.6)	–	–	(1,808)	3.3
Expenses not deductible for tax	6	0.1	105	(0.2)	111	(0.2)
Tax losses not recognized	–	–	18,637	(28.1)	18,637	(33.6)
Tax credit at the Group's effective rate	–	–	(35)	0.1	(35)	0.1
Tax credit from continuing operations at the effective rate	–	–	(35)	(0.4)	(35)	(0.2)

Year ended December 31, 2017

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax from continuing operations	(17,425)		97,258		79,833	
Loss before tax from a discontinued operation	–		(113,127)		(113,127)	
	(17,425)		(15,869)		(33,294)	
Tax at the statutory tax rate	(2,875)	16.5	(3,967)	25.0	(6,842)	20.6
Lower tax rates of specific provinces or enacted by local authorities	–	–	(26,054)	164.2	(26,054)	78.3
Income not subject to tax	(7,040)	40.4	(4,375)	27.6	(11,415)	34.3
Expenses not deductible for tax	3,041	(17.5)	6,457	(40.7)	9,498	(28.5)
Tax losses not recognized	6,874	(39.4)	42,895	(270.3)	49,769	(149.5)
Tax charge at the effective rate	–	–	14,956	(94.2)	14,956	(44.9)
Tax charge from continuing operations at the effective rate	–	–	14,956	15.4	14,956	18.7

Year ended December 31, 2018

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax from continuing operations	(30,519)		289,889		259,370	
Profit before tax from a discontinued operation	–		258,043		258,043	
	(30,519)		547,932		517,413	
Tax at the statutory tax rate	(5,036)	16.5	136,983	25.0	131,947	25.5
Lower tax rates of specific provinces or enacted by local authorities	–	–	(57,862)	(10.6)	(57,862)	(11.2)
Adjustment in respect of current tax of previous periods	–	–	4,670	0.9	4,670	0.9
Income not subject to tax	(6,595)	21.6	(61,658)	(11.3)	(68,253)	(13.2)
Expenses not deductible for tax	7,000	(22.9)	8,853	1.6	15,853	3.1
Tax losses not recognized	4,631	(15.2)	14,486	2.6	19,117	3.7
Tax charge at the effective rate	–	–	45,472	8.3	45,472	8.8
Tax charge from continuing operations at the effective rate	–	–	45,472	15.7	45,472	17.6

Six months ended June 30, 2018 (Unaudited)

	Hong Kong		Mainland China		Total	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Profit/(loss) before tax from continuing operations	(11,474)		120,313		108,839	
Profit before tax from a discontinued operation	–		258,043		258,043	
	(11,474)		378,356		366,882	
Tax at the statutory tax rate	(1,893)	16.5	94,589	25.0	92,696	25.3
Lower tax rates of specific provinces or enacted by local authorities	–	–	(20,231)	(5.3)	(20,231)	(5.5)
Adjustment in respect of current tax of previous periods	–	–	4,854	1.3	4,854	1.3
Income not subject to tax	(3,182)	27.7	(59,148)	(15.6)	(62,330)	(17.0)
Expenses not deductible for tax	3,355	(29.2)	4,903	1.3	8,258	2.3
Tax losses not recognized	1,720	(15.0)	5,644	1.5	7,364	2.0
Tax charge at the effective rate	–	–	30,611	8.1	30,611	8.3
Tax charge from continuing operations at the effective rate	–	–	30,611	25.4	30,611	28.1

Six months ended 30 June 2019

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax from continuing operations	(25,655)		228,807		203,152	
Profit before tax from a discontinued operation	–		–		–	
	(25,655)		228,807		203,152	
Tax at the statutory tax rate	(4,233)	16.5	57,202	25.0	52,969	26.1
Lower tax rates of specific provinces or enacted by local authorities	–	–	(28,510)	(12.5)	(28,510)	(14.0)
Income not subject to tax	(81)	0.3	(3,173)	(1.4)	(3,254)	(1.6)
Expenses not deductible for tax	112	(0.4)	10,629	4.6	10,741	5.3
Tax losses not recognized	4,202	(16.4)	12,658	5.5	16,860	8.3
Tax charge at the effective rate	–	–	48,806	21.3	48,806	24.0
Tax charge from continuing operations at the effective rate	–	–	48,806	21.3	48,806	24.0

There was no share of tax attributable to an associate and a joint venture during the Relevant Periods.

11. DISCONTINUED OPERATION

Pursuant to an equity interest transfer agreement entered into between the Group and Beijing Enterprises Zhongkecheng Environmental Protection Limited ("**Beijing Zhongkecheng**"), an indirect wholly-owned subsidiary of BEWG, on June 30, 2018, the Group agreed to sell its 62% equity interest in Gansu Huayi Environmental Technical Services Limited ("**Gansu Huayi**") to Beijing Zhongkecheng for a cash consideration of RMB234 million (equivalent to approximately HK$269,874,000). The disposal was completed on June 30, 2018. Accordingly, the consolidated statements of profit or loss and the consolidated statements of cash flow have been presented consistently for the discontinued operation throughout the Relevant Periods to conform with the presentation for the year ended December 31, 2018.

The results of Gansu Huayi for the Relevant Periods are presented below:

	Year ended December 31,			Six months ended June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Revenue	79,905	87,804	12,902	12,902	–
Cost of sales	(144,739)	(182,916)	(49,878)	(49,878)	–
Other income and gain	545	6,664	106	106	–
Selling and distribution expenses	(1,479)	(1,872)	(1,031)	(1,031)	–
Administrative expenses	(5,567)	(11,958)	(11,428)	(11,428)	–
Other expenses	(15)	(254)	(391)	(391)	–
Finance costs	(3,198)	(10,595)	(7,951)	(7,951)	–
Loss for the year/period	(74,548)	(113,127)	(57,671)	(57,671)	–
Gain on disposal of the discontinued operation	–	–	315,714	315,714	–
Profit/(loss) for the year/period from a discontinued operation	(74,548)	(113,127)	258,043	258,043	–

Loss for the year/period from a discontinued operation includes the following:

Interest income	100	78	50	50	–
Depreciation of property, plant and equipment	(3,299)	(6,131)	(3,626)	(3,545)	–
Amortisation of intangible assets	(49)	(51)	(525)	(513)	–
Write-down of inventories to net realizable value	(201)	(4,304)	(30,971)	(30,971)	–

The net cash flows incurred by Gansu Huayi for the Relevant Periods are as follows:

	December 31,			June 30,	
	2016	2017	2018	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Operating activities	(112,454)	(5,644)	(1,981)	(1,981)	–
Investing activities	(47,556)	(52,155)	(3,121)	(3,121)	–
Financing activities	171,227	63,443	(18,065)	(18,065)	–
Net cash inflow/(outflow)	11,217	5,644	(23,167)	(23,167)	–

12. DIVIDENDS

No dividend has been paid or declared by the Company to its ordinary shareholders since its date of incorporation.

Dividends per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization as disclosed in note 2.1 above.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Relevant Periods on a consolidated basis as disclosed in note 2.1 above.

14. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
		HK$'000 *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
December 31, 2016							
At January 1, 2016:							
Cost		48,522	15,544	3,922	15,255	92,223	175,466
Accumulated depreciation		(1,091)	(1,706)	(80)	(3,297)	–	(6,174)
Net carrying amount		47,431	13,838	3,842	11,958	92,223	169,292
At January 1, 2016, net of accumulated depreciation		47,431	13,838	3,842	11,958	92,223	169,292
Acquisition of subsidiaries	40	19,746	9,252	735	823	285,848	316,404
Transfers		26,930	14,723	6,956	56	(48,665)	–
Additions		659	774	506	2,243	35,220	39,402
Depreciation provided during the year		(2,045)	(1,755)	(865)	(2,460)	–	(7,125)
Exchange realignment		(4,085)	(1,460)	(521)	(751)	(5,282)	(12,099)
At December 31, 2016, net of accumulated depreciation		88,636	35,372	10,653	11,869	359,344	505,874
At December 31, 2016:							
Cost		91,616	38,651	11,555	17,313	359,344	518,479
Accumulated depreciation		(2,980)	(3,279)	(902)	(5,444)	–	(12,605)
Net carrying amount		88,636	35,372	10,653	11,869	359,344	505,874

		Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	Note	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
December 31, 2017								
At December 31, 2016 and January 1, 2017:								
Cost		91,616	38,651	–	11,555	17,313	359,344	518,479
Accumulated depreciation		(2,980)	(3,279)	–	(902)	(5,444)	–	(12,605)
Net carrying amount		88,636	35,372	–	10,653	11,869	359,344	505,874
At January 1, 2017, net of accumulated depreciation		88,636	35,372	–	10,653	11,869	359,344	505,874
Acquisition of subsidiaries	40	18,525	59,238	11,179	760	104,550	52	194,304
Transfers		148,339	85,034	–	6,282	–	(239,655)	–
Additions		6,678	26,562	10,037	2,080	168,732	97,165	311,254
Disposals		(40)	(316)	–	(14)	(103)	–	(473)
Depreciation provided during the year		(11,177)	(20,897)	(2,079)	(2,459)	(20,119)	–	(56,731)
Exchange realignment		11,939	8,017	931	993	11,883	20,135	53,898
At December 31, 2017, net of accumulated depreciation		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126
At December 31, 2017:								
Cost		277,823	240,921	22,702	22,254	318,651	237,041	1,119,392
Accumulated depreciation		(14,923)	(47,911)	(2,634)	(3,959)	(41,839)	–	(111,266)
Net carrying amount		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126

	Notes	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
		HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
December 31, 2018								
At December 31, 2017 and January 1, 2018:								
Cost		277,823	240,921	22,702	22,254	318,651	237,041	1,119,392
Accumulated depreciation		(14,923)	(47,911)	(2,634)	(3,959)	(41,839)	–	(111,266)
Net carrying amount		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126
At January 1, 2018, net of accumulated depreciation		262,900	193,010	20,068	18,295	276,812	237,041	1,008,126
Acquisition of subsidiaries	40	134,284	117,799	1,194	587	51,074	7,848	312,786
Disposal of subsidiaries	41	(74,786)	(27,838)	–	(9,071)	(1,663)	(61,316)	(174,674)
Transfers		12,102	5,153	–	–	–	(17,255)	–
Additions		19,328	95,018	25,188	5,414	270,829	201,276	617,053
Disposals		(109)	(2,322)	(1,961)	(12)	(32,407)	–	(36,811)
Depreciation provided during the year		(12,357)	(50,137)	(6,104)	(1,679)	(58,260)	–	(128,537)
Exchange realignment		(11,787)	(22,487)	(1,536)	(645)	(18,764)	(15,856)	(71,075)
At December 31, 2018, net of accumulated depreciation		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
At December 31, 2018:								
Cost		350,879	387,413	45,247	15,512	582,319	351,738	1,733,108
Accumulated depreciation		(21,304)	(79,217)	(8,398)	(2,623)	(94,698)	–	(206,240)
Net carrying amount		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868

	Note	Buildings	Plant and machinery	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
		HK$'000 (Note)	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
June 30, 2019								
At December 31, 2018 and January 1, 2019:								
Cost		350,879	387,413	45,247	15,512	582,319	351,738	1,733,108
Accumulated depreciation		(21,304)	(79,217)	(8,398)	(2,623)	(94,698)	–	(206,240)
Net carrying amount		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
At January 1, 2019, net of accumulated depreciation		329,575	308,196	36,849	12,889	487,621	351,738	1,526,868
Disposal of subsidiaries	40	(112,061)	(55,563)	(1,152)	(469)	(666)	(49)	(169,960)
Transfers		–	5,690	–	–	–	(5,690)	–
Additions		7,507	60,459	5,910	3,785	46,237	154,636	278,534
Disposals		(21,099)	(18,782)	(812)	–	(1,946)	–	(42,639)
Depreciation provided during the year		(7,925)	(28,793)	(3,645)	(814)	(54,069)	–	(95,246)
Exchange realignment		955	(589)	(150)	(92)	(1,856)	(3,893)	(5,625)
At June 30, 2019, net of accumulated depreciation		196,952	270,618	37,000	15,299	475,321	496,742	1,491,932
At June 30, 2019:								
Cost		221,253	369,717	49,635	18,698	623,169	496,742	1,779,214
Accumulated depreciation		(24,301)	(99,099)	(12,635)	(3,399)	(147,848)	–	(287,282)
Net carrying amount		196,952	270,618	37,000	15,299	475,321	496,742	1,491,932

Note: Certain of the Group's buildings with a net carrying amount of nil, HK$34,482,000, HK$56,367,000 and HK$134,243,000 were pledged to secure general banking facilities and other loans granted to the Group as at December 31, 2016, 2017 and 2018 and June 30, 2019, respectively (note 32(a)(iii)).

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

		Right-of-use assets			
		Buildings	Motor vehicles	Prepaid land lease premium	Total
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at January 1, 2016		–	–	10,651	10,651
Additions		–	–	11,396	11,396
Acquisition of subsidiaries	*40*	6,789	–	138,533	145,322
Depreciation charge		–	–	(329)	(329)
Exchange realignment		–	–	(1,144)	(1,144)
As at December 31, 2016 and January 1, 2017		6,789	–	159,107	165,896
Additions		12,481	1,001	9,659	23,141
Acquisition of subsidiaries	*40*	7,886	34,240	2,818	44,944
Depreciation charge		(2,124)	(3,793)	(3,697)	(9,614)
Exchange realignment		1,277	1,697	11,461	14,435
As at December 31, 2017 and January 1, 2018		26,309	33,145	179,348	238,802
Additions		50,969	16,682	48,007	115,658
Acquisition of subsidiaries	*40*	1,829	–	22,986	24,815
Depreciation charge		(9,261)	(8,823)	(3,784)	(21,868)
Disposal of subsidiaries	*41*	–	–	(30,783)	(30,783)
Exchange realignment		(2,704)	(1,805)	(9,018)	(13,527)
As at December 31, 2018 and January 1, 2019		67,142	39,199	206,756	313,097
Additions		64,509	17,123	2,850	84,482
Depreciation charge		(8,886)	(7,070)	(2,271)	(18,227)
Disposal		–	–	(1,329)	(1,329)
Disposal of subsidiaries	*41*	–	–	(19,297)	(19,297)
Exchange realignment		(1,284)	(338)	(477)	(2,099)
As at June 30, 2019		121,481	48,914	186,232	356,627

Notes:

(a) Contain of the Group's prepaid land lease payments with a net carrying amount of HK$3,205,000, nil, HK$5,111,000 and HK$5,091,000 were pledged to secure general banking facilities granted to the Group as at 31 December 2016, 2017 and 2018 and 30 June 2019, respectively (note 32(a) (iii)).

(b) Details of the carrying amount of lease liabilities (included under "other payables and accruals") and the movement during the Relevant Periods are set out in note 30 to the Historical Financial Information.

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

(d) Total cash outflow for the leases amounted to HK$11,396,000, HK$24,383,000, HK$94,612,000, HK$27,422,000 and HK$35,826,000 for the years ended 31 December 2016, 2017 and 2018 and six months ended 30 June 2018 and 2019, respectively.

16. GOODWILL

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost and carrying amount at January 1		–	121,447	200,720	392,878
Acquisition of subsidiaries	*40*	121,447	68,860	212,981	–
Disposal of subsidiaries	*41*	–	–	–	(56,027)
Exchange realignment		–	10,413	(20,823)	(553)
Cost and carrying amount at December 31/June 30		121,447	200,720	392,878	336,298

Impairment testing of goodwill

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Environmental hygiene CGUs	–	68,904	66,312	66,100
Hazardous waste treatment CGUs	121,447	131,816	326,566	270,198
	121,447	200,720	392,878	336,298

The recoverable amounts of the relevant business units in each of the above operating segments have been determined based on value in use calculation using cash flow projections which are based on financial forecast approved by senior management covering a period of 5 years and based on the assumption that the sizes of the operations remain constant. The pre-tax discount rates applied to the cash flow projections were 17.7% for 2016, ranged from 18.7% to 21.1% for 2017 and ranged from 17.3% to 21.5% for 2018 for the business units of the environmental hygiene segment and hazardous waste treatment segment, which was determined by reference to the average rates for similar industries and the business risks of the relevant business units. The growth rate used to extrapolate the cash flows beyond the five-year period was 3% for 2016, 2017 and 2018.

Based on the results of the impairment testing of goodwill, in the opinion of the management of the Group, no impairment provision is considered necessary for the Group's goodwill as at December 31, 2016, 2017 and 2018. Management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 31, 2016, 2017 and 2018.

No impairment indicator was noted for goodwill as at 30 June 2019 and the directors of the Company are of opinion that no impairment provision is considered necessary for the goodwill as at June 30, 2019.

The sensitivity analysis as at December 31, 2016, 2017 and 2018 set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amounts.

The headroom (representing the excess of the cash-generating units' recoverable amounts over their carrying amounts) is shown as below:

	As at December 31,		
	2016	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*
Environmental hygiene CGUs	–	288,280	108,885
Hazardous waste treatment CGUs	576,699	709,060	1,277,896
	576,699	997,340	1,386,781

Had the estimated key assumptions been changed as below, the headroom would be increased/(decreased) by:

As at December 31, 2016

	Environmental hygiene CGUs	**Hazardous waste treatment CGUs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	–	55,315	55,315
Pre-tax discount rate increased by 0.5%	–	(51,417)	(51,417)
Five-year period growth rate increased by 1%	–	76,949	76,949
Five-year period growth rate decreased by 1%	–	(40,914)	(40,914)

As at December 31, 2017

	Environmental hygiene CGUs	**Hazardous waste treatment CGUs**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	27,785	54,437	82,222
Pre-tax discount rate increased by 0.5%	(26,209)	(50,921)	(77,130)
Five-year period growth rate increased by 1%	25,460	48,393	73,853
Five-year period growth rate decreased by 1%	(22,792)	(42,611)	(65,403)

As at December 31, 2018

	Environmental hygiene CGUs	Hazardous waste treatment CGUs	Total
	HK$'000	*HK$'000*	*HK$'000*
Pre-tax discount rate decreased by 0.5%	34,061	85,395	119,456
Pre-tax discount rate increased by 0.5%	(31,979)	(79,696)	(111,675)
Five-year period growth rate increased by 1%	37,963	87,260	125,223
Five-year period growth rate decreased by 1%	(33,615)	(76,441)	(110,056)

17. OPERATING CONCESSIONS

The Group has entered into three operating concession arrangements with certain governmental authorities in Mainland China on a Transfer-Operate-Transfer ("**TOT**") basis in respect of its environmental hygiene services under HK(IFRIC)-Int 12 *Service Concession Arrangements*. These operating concession arrangements generally involve the Group as a provider of environmental hygiene services on behalf of the relevant governmental authorities for a period of 25 years (the "**Operating Concession Periods**"), and the Group would be paid for its services over the relevant periods of the operating concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use the fixed assets provided by the governmental authorities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the fixed assets. The Group is obliged to hand over the fixed assets to the grantors at the end of the operating concession periods. Each of these operating concession arrangements is governed by a contract.

At December 31, 2016, the Group had no operating concession arrangement.

The Group had 2 operating concession arrangements on environmental hygiene services at December 31, 2017 and 2018 and further obtained an operating concession during the period ended June 30, 2019. A summary of the major terms of the principal operating concession arrangements is set out as follows:

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司#@	Environmental Sanitation Marketization Outsourcing PPP Project	Hejian City, Hebei Province	Hejian City Urban Administrative Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控(秦皇島)環境服務有限公司#@	Urban-Rural Integration Garbage Collection and Transportation Facilities Construction PPP Project	Qinhuangdao, Funing District, Hebei Province	Funing District Urban Administrative Integrated Law Enforcement Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises Urban Services (Quannan) Limited 北控城市服務(全南)有限公司@	Quannan Urban-Rural Service-Urban Integration PPP Project	Quannan City, Jiangxi Province	Quannan City Urban Administrative Bureau	TOT on environmental hygiene service	15 years from 2019 to 2034

\# Acquired in 2017

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

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

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At January 1:					
Cost		–	–	72,386	69,058
Accumulated amortization		–	–	(3,579)	(8,536)
Net carrying amount		–	–	68,807	60,522
Net carrying amount:					
At January 1		–	–	68,807	60,522
Acquisition of subsidiaries	*40*	–	68,380	–	–
Additions		–	–	–	67,767
Amortization provided during the year/period		–	(3,456)	(5,312)	(2,594)
Exchange realignment		–	3,883	(2,973)	(195)
At December 31/June 30		–	68,807	60,522	125,500
At December 31/June 30:					
Cost		–	72,386	69,058	136,553
Accumulated amortization		–	(3,579)	(8,536)	(11,053)
Net carrying amount		–	68,807	60,522	125,500

Note: One of the Group's operating concession rights with net carrying amounts of approximately HK$45,778,000 and HK$41,848,000 and HK$40,773,000 was pledged to secure general banking facilities granted to the Group (note 32(a)(iii)) as at December 31, 2017 and 2018 and June 30, 2019, respectively.

18. OTHER INTANGIBLE ASSETS

		Computer Software			
		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of year/period					
Cost		258	510	1,458	1,508
Accumulated amortization		(19)	(65)	(185)	(189)
Net carrying amount		239	445	1,273	1,319
Net carrying amount at January 1		239	445	1,273	1,319
Acquisition of subsidiaries	*40*	91	78	221	–
Disposal of a subsidiary	*41*	–	–	(571)	(205)
Additions		185	804	1,116	1,923
Amortization provided during the year/period		(49)	(112)	(667)	(185)
Exchange realignment		(21)	58	(53)	(29)
At December 31/June 30		445	1,273	1,319	2,823
At December 31/June 30:					
Cost		510	1,458	1,508	3,170
Accumulated amortization		(65)	(185)	(189)	(347)
Net carrying amount		445	1,273	1,319	2,823

19. INVESTMENT IN AN ASSOCIATE

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	4,159	4,253	571	568

20. INVESTMENT IN A JOINT VENTURE

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Share of net assets	–	–	33,618	32,800

21. AVAILABLE-FOR-SALE INVESTMENT

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity investment, at cost	–	15,802	–	–

Note: The unlisted available-for-sale investment was acquired in December 2017 and was stated at cost as at December 31, 2017 because the range of reasonable fair value estimates was so significant that management of the Group is of the opinion that the fair value could not be measured reliably.

In January 2018, the Group acquired additional equity interest in the unlisted investment, which increased from 17% to 39%, and therefore obtained the joint control of the investment. As a result, the investment was reclassified as an investment in a joint venture as at that date.

22. CONTRACT ASSETS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contract assets arising from construction services	–	49,107	73,946	47,657
Portion classified as current assets	–	–	(5,684)	(4,049)
Non-current portion	–	49,107	68,262	43,608

An impairment analysis is performed at December 31, 2018 and June 30, 2019 using a provision matrix approach to measure life-time expected credit losses. The provision rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at December 31, 2018 and June 30, 2019, the expected credit loss rates were estimated ranging from 0.26% to 0.27% and 0.27%, respectively. The loss allowance for impairment of the contract assets during the year/period was not significant to the Group.

23. INVENTORIES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Raw materials	53,761	44,487	66,483	39,735
Finished goods	15,623	9,954	20,499	22,941
	69,384	54,441	86,982	62,676

24. TRADE AND BILLS RECEIVABLES

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	76,758	380,159	651,938	852,810
Less: impairment	–	(373)	(1,836)	(1,572)
	76,758	379,786	650,102	851,238
Bills receivables	764	456	6,779	10,271
	77,522	380,242	656,881	861,509
Portion classified as current assets	(77,522)	(380,242)	(656,881)	(838,105)
Non-current portion	–	–	–	23,404

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.

Notes:

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	75,001	158,246	268,089	342,149
1 to 2 months	668	68,488	128,172	150,541
2 to 3 months	852	54,567	79,822	104,570
Over 3 months	237	98,485	174,019	230,574
	76,758	379,786	650,102	827,834
Unbilled	–	–	–	23,404
	76,758	379,786	650,102	851,238

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

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At January 1*	–	–	373	1,836
Impairment/(reversal of impairment) losses, net *(note 6)*	–	360	1,534	(261)
Exchange realignment	–	13	(71)	(3)
At December 31/June 30	–	373	1,836	1,572

* The opening adjustment related to the effect of adoption of HKFRS 9 was not significant to the Group.

Impairment under HKFRS 9 for the year ended December 31, 2018 and the period ended June 30, 2019

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

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

As at December 31, 2018

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.03%	0.04%	0.07%	1.27%	0.28%
Gross carrying amount *(HK$'000)*	299,446	114,459	110,367	127,666	651,938
Expected credit losses *(HK$'000)*	90	46	77	1,623	1,836

As at June 30, 2019

	Current	Less than 1 month	Past due 1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.04%	0.05%	0.09%	0.57%	0.18%
Gross carrying amount *(HK$'000)*	394,288	131,518	106,222	220,782	852,810
Expected credit losses *(HK$'000)*	158	66	96	1,252	1,572

Impairment under HKAS 39 for the years ended December 31, 2016 and 2017

The provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at December 31, 2016 and 2017 were made after an impairment assessment of the Group's trade receivables collectively. The Group did not hold any collateral or other credit enhancements over these balances.

(c) An ageing analysis of the trade receivables as at December 31, 2016 and 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	As at December 31,	
	2016	**2017**
	HK$'000	*HK$'000*
Neither past due nor impaired	39,721	175,079
Less than 1 month past due	8,566	62,077
1 to 3 months past due	20,915	62,799
Over 3 months	7,556	79,831
	76,758	379,786

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management of the Group was of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. No provision for impairment was recognized as at December 31, 2016.

25. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Environmental decommissioning fees receivable	20,503	82,321	136,551	175,137

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 reports would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notices on its website the quantities of dismantling appliance and an environmental decommissioning fee would be paid to the entities after 3 years of 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.

Impairment under HKFRS 9 for the year ended December 31, 2018 and the period ended June 30, 2019

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at December 31, 2018 and June 30, 2019, the probability of default applied ranged from 0.46% to 0.48% and from 0.44% to 0.49%, respectively, and the loss given default was estimated to be 55.83%. The loss allowance for impairment of the receivables during the year/period was not significant to the Group.

Impairment under HKAS 39 for the years ended December 31, 2016 and 2017

As at December 31, 2016 and 2017, the provision for impairment was measured based on incurred credit losses under HKAS 39. In the opinion of the management of the Group, the credit risk on these balances was limited because the amounts were due from the Central Government.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Prepaid expenses	1,168	27,772	42,498	50,475
Guarantee deposits held by customers	–	41,596	94,531	117,547
Prepayments for acquisition of property, plant and equipment	3,392	27,347	55,184	49,628
Prepayments for acquisition of land use rights	4,473	4,786	53,550	56,247
Prepayment for an equity investment	–	15,754	–	–
Prepayment for purchase of inventories	318	4,087	16,226	9,879
Others	4,209	31,425	51,141	52,623
	13,560	152,767	313,130	336,399
Portion classified as current assets	(5,695)	(110,812)	(161,038)	(186,745)
Non-current portion	7,865	41,955	152,092	149,654

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

Impairment for financial assets included above under HKFRS 9 for the year ended December 31, 2018 and the period ended June 30, 2019

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at December 31, 2018 and June 30, 2019, the probability of default applied was 2.07% and 2.13%, respectively, and the loss given default was estimated to be 55.83%. The loss allowance for impairment of the deposits and other receivables during the year/period was not significant to the Group.

Impairment for financial assets included above under HKAS 39 for the years ended December 31, 2016 and 2017

As at December 31, 2016 and 2017, the provision for impairment was measured based on incurred credit losses under HKAS 39. In the opinion of the management of the Group, the credit risk on these balances was limited and hence no impairment was considered necessary.

27. BALANCES WITH RELATED COMPANIES, NON-CONTROLLING SHAREHOLDERS AND SHAREHOLDERS

Particulars of the amounts due from related companies are as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from related companies				
Beijing Enterprises Shuyang Municipal Construction Limited 北控市政工程沭陽有限公司 *(note (a))*	–	1,579	8,578	1,115
Yunnan Beijing Enterprises Environmental Services Co., Ltd. 雲南北控環境服務有限公司	–	27,462	–	–
Kunming Wuhua Beijing Enterprises Environmental Industry Development Co., Ltd 昆明五華北控環境產業發展有限公司	–	–	81,435	30,662
Gansu Huayi Environmental Technical Services Limited 甘肅華壹環保技術服務有限公司 *(note (b))*	–	–	113,647	7,388
Beijing Enterprises Zhongkecheng Environmental Protection Limited 北控中科成環保集團有限公司 *(note (c))*	–	–	267,484	–
Others	–	–	861	–
	–	29,041	472,005	39,165

Particulars of the amounts due to related companies and amount due from non-controlling shareholders are as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due from non-controlling shareholders				
Qingdao Xin Tian Di Solid Waste Treatment Limited 青島新天地固體廢物綜合處置有限公司	745	8,675	11,052	11,009
Qingdao Xin Tian Di Environmental Protection Limited 青島新天地環境保護有限責任公司	131	245	–	–
Qingdao Xintiandi Investment Co., Ltd. 青島新天地投資有限公司 *(note (d))*	117,383	97,600	80	–
Shao Xing Hua 邵興華	–	11,987	–	–
Chengdu Bo Ning Sanitation Limited 成都柏檸環境衛生服務有限公司	–	12,561	11,984	11,936
Others	–	23	9	–
	118,259	131,091	23,125	22,945
Portion classified as current assets	(876)	(131,091)	(23,125)	(22,945)
Non-current portion	117,383	–	–	–

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to related companies				
Beijing Enterprises Water (PRC) Investment Limited 北控水務(中國)投資有限公司	22,588	23,321	21,632	24,346
Beijing Hua Cheng Xin Chuang Environmental Technology Limited 北京華城新創環境科技有限公司	–	6,469	6,473	–
Beijing Enterprises Shu Yang Municipal Construction Limited 北控市政工程沭陽有限公司	–	–	3,150	702
Others	621	791	1,448	2,941
	23,209	30,581	32,703	27,989

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due to shareholders					
Beijing Enterprises Water Group Limited	*(e)*	–	157,500	–	–
Zhihua Investments Limited	*(e)*	–	16,320	–	–
AID Utilities L.P.	*(e)*	–	148,500	–	–
Maolin Investments Limited	*(e)*	–	8,160	–	–
		–	330,480	–	–
Due to related companies and shareholders		23,209	361,061	32,703	27,989

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to non-controlling shareholders				
Qingdao Xin Tian Di Investment Limited 青島新天地投資有限公司	73,987	79,171	–	–
Qingdao Xin Tian Di Environmental Protection Limited 青島新天地環境保護有限責任公司	–	3,074	576	–
Qingdao Xin Tian Di Ecological Cycle Limited 青島新天地生態循環科技有限公司	–	13,159	–	–
Han Qing Jie 韓清潔	–	2,367	–	–
Shou Guang Fu Kang Pharmaceuticals Limited 壽光富康製藥有限公司	5,342	4,980	1,922	–
Shou Guang Dong Cheng Water Group Limited 壽光東城水務有限公司	10,173	–	–	–
Shao Xing Hua 邵興華	7,712	–	–	–
Guo Lei 郭磊	2,056	8,252	–	–
Others	11	154	–	–
	99,281	111,157	2,498	–

Notes:

The related companies of the Group as disclosed above are all subsidiaries held by BEWG, a shareholder of the Group.

Balances with related companies, shareholders and non-controlling shareholders are unsecured, interest-free and repayable on demand, except for the following balances:

(a) Balance as at December 31, 2018 included the principal amounts of the loans due from 北控市政工程沭陽有限公司 amounting to HK$4.8 million in total that fall due in 2018 and 2019. The loans bear interest at 8% to 10% per annum and were settled in 2019.

(b) Balance as at December 31, 2018 included the principal amounts of the loans due from甘肅華壹環保技術服務有限公司 amounting to HK$110 million that fall due in 2019. The loans bear interest at 8% to 10% per annum and were settled in 2019.

(c) The amount due from 北控中科成環保集團有限公司 as at December 31, 2018 represented the consideration receivable in respect of the disposal of the entire equity interest in Gansu Huayi during the year ended December 31, 2018, details of which are set out in notes 11 and 41 to the Historical Financial Information. The amount was settled in January 2019.

(d) The balance due from青島新天地投資有限公司, a non-controlling shareholder of a subsidiary of the Group, is interest-free and repayable in 2018. The shares held by the non-controlling shareholder in a subsidiary of the Group with issued capital of RMB137 million was pledged as a security.

(e) Balances represented capital injections made by the shareholders of the Company during the year ended December 31, 2017, that the registration process was yet to be completed as at December 31, 2017. The transaction was subsequently completed in November 2018 and the balances were transferred to the merger reserve of the Group.

28. PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash and bank balances:				
Placed in banks *(note (a))*	405,306	635,880	638,407	831,666
Placed in a financial institution *(note (b))*	–	11,585	–	–
Time deposits:				
Placed in banks *(note (a))*	–	–	102,717	57,977
Total cash and bank balances	405,306	647,465	741,124	889,643
Less: Pledged deposits *(note (c))*	–	(16,351)	(6,810)	(3,117)
Cash and cash equivalents	405,306	631,114	734,314	886,526

Notes:

(a) At December 31, 2016, 2017 and 2018 and June 30, 2019, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$117,004,000, HK$294,349,000, and HK$538,774,000 and HK$884,037,000 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

(b) At December 31, 2017, deposits of HK$11,585,000 were placed by the Group to 北京控股集團財務有限公司, a related company of a shareholder of the Company, which is an authorized financial institution under China Banking Regulatory Commission.

(c) Pledged deposits were made to banks for bill facilities granted.

29. TRADE AND BILLS PAYABLES

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	27,461	59,922	115,118	108,112
Bills payable	–	16,351	6,810	3,117
	27,461	76,273	121,928	111,229

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 month	11,169	28,998	61,005	72,533
1 to 2 months	1,689	9,603	13,304	9,226
2 to 3 months	2,143	2,768	6,566	2,812
Over 3 months	12,460	18,553	34,243	23,541
	27,461	59,922	115,118	108,112

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

30. OTHER PAYABLES AND ACCRUALS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accruals	11,395	139,544	193,340	203,504
Contract liabilities	2,990	20,225	49,688	56,713
Lease liabilities *(note)*	5,616	59,982	111,335	180,096
Payable for acquisition of property, plant and equipment	62,579	276,448	386,802	333,217
Other payables	40,735	79,576	282,609	221,775
	123,315	575,775	1,023,774	995,305
Portion classified as current liabilities	(115,691)	(523,577)	(938,088)	(834,708)
Non-current portion	7,624	52,198	85,686	160,597

Note:

The following is the summarised information of the lease liabilities.

		As at December 31,			As at June 30,
		2016	2017	2018	2019
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 January		–	5,616	59,982	111,335
Additions		–	13,482	67,651	81,632
Acquisition of subsidiaries		5,616	40,161	2,049	–
Payments		–	(4,301)	(21,223)	(16,886)
Interest expense	7	–	2,589	7,547	5,688
Exchange realignment		–	2,435	(4,671)	(1,673)
As at 31 December/30 June		5,616	59,982	111,335	180,096

31. OTHER TAXES RECOVERABLE/PAYABLE

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other tax recoverable:				
Value-added tax	410	28,537	68,162	55,484
Other taxes payable:				
Value-added tax	3,263	19,601	25,141	20,632
Land use tax	609	20	134	283
Others	584	3,462	1,064	4,843
	4,456	23,083	26,339	25,758

32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Secured bank loans	8,943	28,711	402,734	586,629
Unsecured bank loans	104,894	532,795	902,277	610,399
Secured other loan	–	18,793	–	68,717
Unsecured other loans	89,435	116,522	50,136	10,464
Total bank and other borrowings	203,272	696,821	1,355,147	1,276,209
Portion classified as current liabilities	(203,272)	(329,529)	(306,244)	(572,278)
Non-current portion	–	367,292	1,048,903	703,931
Analyzed into:				
Bank loans repayable:				
Within one year or on demand	113,837	210,125	269,453	542,314
In the second year	–	5,981	458,873	240,889
In the third to fifth years, inclusive	–	316,689	421,471	277,410
Beyond five years	–	28,711	155,214	136,415
	113,837	561,506	1,305,011	1,197,028
Analyzed into:				
Other loans repayable:				
Within one year or on demand	89,435	119,404	36,791	29,964
In the second year	–	–	–	23,382
In the third to fifth years, inclusive	–	15,911	12,326	25,835
Beyond five years	–	–	1,019	–
	89,435	135,315	50,136	79,181

Notes:

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

(i) Corporate guarantees given by a subsidiary of a shareholder of the Company and non-controlling shareholders of subsidiaries for the Relevant Periods;

(ii) Pledge over the Group's equity interest in a subsidiary as at December 31, 2018 and June 30, 2019; and

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

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	–	34,482	56,367	134,243
Right-of-use assets	3,205	–	5,111	5,091
Operating concession rights	–	45,778	41,848	40,773
	3,205	80,260	103,326	180,107

(b) Unsecured other loans as at December 31, 2016 and 2017 included aggregate amounts of HK$89,434,000 and HK$90,919,000, respectively, due to a subsidiary of BEWG (a shareholder of the Company). The loans were repayable in twelve months and bore interest at 8% per annum. The amounts were derecognized by the Group upon the disposal of the equity interest in Gansu Huayi, details of which are set out in notes 11 and 41 to the Historical Financial Information.

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

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
HK$	203,272	300,000	598,750	524,001
RMB	–	396,821	756,397	752,208
	203,272	696,821	1,355,147	1,276,209

(d) The effective interest rates (per annum) at the end of each of the Relevant Periods were as follows:

	As at December 31,			As at June 30,
	2016	2017	2018	2019
Bank loans:				
Secured	8.6%	4.1% – 5.0%	4.0% – 5.5%	4.9% – 5.6%
Unsecured	4.4% – 4.8%	2.4% – 6.1%	3.8% – 7.4%	4.4% – 6.0%
Other loans:				
Secured	–	9.8%	5.7%	4.8%
Unsecured	8.0%	4.6% – 8.0%	4.6% – 7.0%	4.8% – 7.0%

33. DEFERRED INCOME

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

34. DEFERRED TAX

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	–	340	1,643	1,662
Deferred tax liabilities	(12,575)	(14,483)	(24,835)	(12,518)
	(12,575)	(14,143)	(23,192)	(10,856)

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

	Notes	Fair value adjustments arising from acquisition of subsidiaries	Provision for major overhaul	Temporary differences related to service concession arrangements	Net deferred tax assets/ (liabilities)
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At December 1, 2016		(1,240)	–	–	(1,240)
Acquisition of subsidiaries	*40*	(11,448)	–	–	(11,448)
Net deferred tax credited to profit or loss	*10*	35	–	–	35
Exchange realignment		78	–	–	78
At December 31, 2016 and January 1, 2017		(12,575)	–	–	(12,575)
Acquisition of subsidiaries	*40*	222	–	–	222
Net deferred tax credited/ (charged) to profit or loss	*10*	340	112	(1,337)	(885)
Exchange realignment		(861)	4	(48)	(905)
At December 31, 2017 and January 1, 2018		(12,874)	116	(1,385)	(14,143)
Acquisition of subsidiaries	*40*	(10,746)	–	(317)	(11,063)
Disposal of a subsidiary	*41*	1,142	–	–	1,142
Net deferred tax credited/ (charged) to profit or loss	*10*	278	118	(13)	383
Exchange realignment		434	(9)	64	489
At December 31, 2018 and January 1, 2019		(21,766)	225	(1,651)	(23,192)
Disposal of subsidiaries	*41*	12,273	–	–	12,273
Net deferred tax credited to profit or loss	*10*	123	59	–	182
Exchange realignment		(66)	(60)	7	(119)
At June 30, 2019		(9,436)	224	(1,644)	(10,856)

Notes:

(a) Deferred tax assets have not been recognized in respect of unused tax losses of approximately HK$74,548,000, HK$273,624,000 and HK$350,092,000 and HK$417,532,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively as they have arisen in certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilized. These tax losses will expire in one to five years.

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

At December 31, 2016, 2017, 2018 and June 30, 2019, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the management of the Group, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately nil, HK$97,318,000 and HK$255,499,000 and HK$488,223,000 as at December 31, 2016, 2017, 2018 and June 30, 2019, respectively.

35. PROVISION FOR MAJOR OVERHAUL

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

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

		As at December 31,			**As at June 30,**
		2016	**2017**	**2018**	**2019**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At January 1		–	–	5,002	4,999
Provision for the year		–	4,462	–	–
Increase in discounted amounts arising from the passage of time	7	–	219	235	120
Exchange realignment		–	321	(238)	(21)
At December 31/June 30		–	5,002	4,999	5,098

36. ISSUED CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 26, 2019 with authorized share capital of HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each. On the date of its incorporation, one share was allotted and issued by the Company to the initial subscriber for cash at par who subsequently transferred the share to BEWG on the same day.

Further on the same day, 4,724,999,999, 244,800,000, 524,100,000, 489,600,000, 1,080,000,000, 1,020,500,000, 4,455,000,000 and 961,000,000 ordinary shares of HK$0.10 each were allotted and issued as nil-paid to BEWG, Maolin Investments Limited, Star Colour Investments Limited, Zhihua Investments Limited, HNW Investment Fund Series SPC (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend Investments Limited, Genius Link Utilities L.P. and Shanghai Ziyue Enterprises Management Partnership L.P., respectively.

On March 26, 2019, the Company acquired all the issued shares of Mind Light from its respective shareholders. In consideration of the acquisition, the 13,500,000,000 shares of the Company held by each of the aforesaid shareholders were all credited as fully paid on March 26, 2019.

Pursuant to a shareholders' resolution dated April 15, 2019 and a directors' resolution dated April 15, 2019, a total of 10,800,000,000 shares were surrendered by the then shareholders, which were subsequently cancelled. Upon completion of the surrender of shares, the issued share capital of the Company became HK$270,000,000 representing 2,700,000,000 shares of HK$0.1 each and the shareholding percentages by each of the shareholders remained the same.

There was no issued capital as at December 31, 2016, 2017 and 2018 since the Company has not yet been incorporated at that time.

37. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein during the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Merger reserve

The merger reserve represents the reserve arising from the Reorganization of the Group in the prior years and during the Relevant Periods.

(c) PRC reserve funds

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

(d) Capital reserve

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

(e) The movements of reserve at the Company level are as below:

	Capital reserve
	HK$'000
At January 1, 2019	–
Acquisition of a subsidiary	(33,738)
Capital reduction (note 36)	1,080,000
At June 30, 2019	1,046,262

38. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) During the year ended 31 December 2016, dividends of HK$12,884,000 were declared to non-controlling shareholders and HK$10,199,000 was not yet paid up to the date of disposal of Gansu Huayi.

(ii) During the year ended 31 December 2018, among the capital contributions of HK$450,000,000 by the then equity owners, HK$330,480,000 was received in 2017.

(iii) During the years ended 31 December 2016, 2017 and 2018, capital contributions of HK$240,001,000, HK$199,461,000 and HK$170,267,000 were made to the acquirees, respectively.

(b) Changes in liabilities arising from financing activities:

	Interest-bearing bank and other borrowings	Lease payables	Due to related companies, shareholders and non-controlling shareholders
	HK$'000	*HK$'000*	*HK$'000*
At January 1, 2016	–	–	30,305
Increase arising from acquisition of subsidiaries	8,943	5,616	89,646
Changes from financing cash flows	202,899	–	(8,224)
Non cash transaction	–	–	12,884
Foreign exchange movement	(8,570)	–	(2,121)
At December 31, 2016 and January 1, 2017	203,272	5,616	122,490
New leases	–	13,482	–
Increase arising from acquisition of subsidiaries	112,778	40,161	456,020
Changes from financing cash flows	361,196	(4,301)	(117,204)
Interest on lease liabilities	–	2,589	–
Foreign exchange movement	19,575	2,435	10,912
At December 31, 2017 and January 1, 2018	696,821	59,982	472,218
New leases	–	67,651	–
Increase arising from acquisition of subsidiaries	96,617	2,049	–
Decrease arising from disposal of a subsidiary	(265,294)	–	(9,000)
Changes from financing cash flows	855,608	(21,223)	(94,751)
Interest on lease liabilities	–	7,547	–
Transfer to merger reserve	–	–	(330,480)
Foreign exchange movement	(28,605)	(4,671)	(2,786)
At December 31, 2018	1,355,147	111,335	35,201
At January 1,2019	1,355,147	111,335	35,201
New leases	–	81,632	–
Decrease arising from disposal of subsidiaries	(64,636)	–	–
Changes from financing cash flows	(11,346)	(16,886)	(6,712)
Interest on lease liabilities	–	5,688	–
Foreign exchange movement	(2,956)	(1,673)	(500)
At June 30, 2019	1,276,209	180,096	27,989

	Interest-bearing bank and other borrowings	Lease payables	Due to related companies, shareholders and non-controlling shareholders
	HK$'000	*HK$'000*	*HK$'000*
At January 1, 2018	696,821	59,982	472,218
New leases	–	54,348	–
Increase arising from acquisition of subsidiaries	3,710	–	–
Decrease arising from disposal of a subsidiary	(265,294)	–	(9,000)
Changes from financing cash flows	753,188	(19,022)	10,071
Interest on lease liabilities	–	3,914	–
Foreign exchange movement	(21,089)	(4,038)	14,207
At June 30, 2018 (Unaudited)	1,167,336	95,184	487,496

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

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

	As at December 31,			As at June 30,
	2016	2017	2018	2019
Percentage of equity interest held by non-controlling interests:				
Gansu Huayi *(note (c))*	38%	38%	N/A*	N/A*
Qingdao and its subsidiaries ("**Qingdao Group**") *(note (b))*	35%	35%	35%	35%
Binnan Group *(note (a))*	N/A	49%	49%	49%
Profit/(loss) for the year allocated to non-controlling interests:				
Gansu Huayi *(note (c))*	(28,328)	(42,988)	(21,915)	–
Qingdao Group *(note (b))*	N/A	20,269	59,606	29,073
Binnan Group *(note (a))*	N/A	3,346	(1,916)	(6,418)
Dividends paid to non-controlling interests of Gansu Huayi	12,884	–	–	–
Accumulated balances of non-controlling interests at the reporting date:				
Gansu Huayi *(note (c))*	38,259	(3,614)	N/A	N/A
Qingdao Group *(note (b))*	139,479	181,968	231,834	276,241
Binnan Group *(note (a))*	N/A	148,036	163,608	134,351

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

December 31, 2016	**Gansu Huayi**	**Qingdao Group**
	HK$'000	*HK$'000* *(note (b))*
Revenue	79,905	–
Total expenses	(154,998)	–
Loss for the year	(74,548)	–
Total comprehensive loss for the year	(71,402)	–
Current assets	157,009	128,767
Non-current assets	159,877	432,602
Current liabilities	(246,619)	(154,139)
Non-current liabilities	(1,248)	(118,124)
Net cash flows used in operating activities	(112,454)	–
Net cash flows used in investing activities	(47,556)	–
Net cash flows from financing activities	171,227	–
Net increase in cash and cash equivalents	11,217	–

December 31, 2017	**Gansu Huayi**	**Qingdao Group**	**Binnan Group**
	HK$'000	*HK$'000*	*HK$'000* *(note (a))*
Revenue	87,804	244,717	136,234
Total expenses	(207,596)	(196,408)	(127,956)
Profit/(loss) for the year	(113,127)	63,613	7,009
Total comprehensive (loss)/income for the year	(117,142)	65,871	7,258
Current assets	116,892	156,990	230,997
Non-current assets	204,300	567,032	76,343
Current liabilities	(363,502)	(185,418)	(128,371)
Non-current liabilities	(977)	(127,784)	(891)
Net cash flows from/(used in) operating activities	(5,644)	3,752	32,730
Net cash flows used in investing activities	(52,155)	(109,889)	(13,806)
Net cash flows from in financing activities	63,443	56,609	17,113
Net increase/(decrease) in cash and cash equivalents	5,644	(49,528)	36,037

December 31, 2018	Gansu Huayi	Qingdao Group	Binnan Group
	HK$'000 *(note (c))*	*HK$'000*	*HK$'000*
Revenue	12,902	421,993	353,142
Total expenses	(70,679)	(283,485)	(358,484)
Profit/(loss) for the year	(57,671)	168,417	(712)
Total comprehensive income/(expense) for the year	(55,604)	162,381	(686)
Current assets	39,315	488,765	261,288
Non-current assets	200,703	661,281	139,898
Current liabilities	(339,748)	(250,326)	(150,907)
Non-current liabilities	(795)	(300,591)	(42,162)
Net cash flows used in operating activities	(1,981)	(68,099)	30,090
Net cash flows used in investing activities	(3,121)	(153,916)	(58,094)
Net cash flows from/(used in) financing activities	(18,065)	268,789	13,192
Net increase/(decrease) in cash and cash equivalents	(23,167)	46,774	(14,812)

June 30, 2019	Qingdao Group	Binnan Group
	HK$'000	*HK$'000*
Revenue	217,841	188,209
Total expenses	(137,610)	(200,934)
Profit/(loss) for the period	81,551	(12,260)
Total comprehensive income/(expense) for the period	80,177	(12,053)
Current assets	569,478	239,673
Non-current assets	684,291	130,867
Current liabilities	(251,433)	(152,494)
Non-current liabilities	(308,677)	(42,969)
Net cash flows used in operating activities	(19,440)	(4,479)
Net cash flows from/(used in) investing activities	(37,563)	16,627
Net cash flows from/(used in) financing activities	49,039	(41,801)
Net decrease in cash and cash equivalents	(7,964)	(29,653)

Notes:

(a) Binnan Group was acquired by the Group in July 2017.

(b) Qingdao Group was acquired by the Group on December 23, 2016 and thus no profit or loss had been allocated to non-controlling interests during the year ended December 31, 2016.

(c) The historical financial information of Gansu Huayi was disclosed up to June 30, 2018, i.e. the date of disposal.

40. BUSINESS COMBINATIONS

The Group has elected to measure the non-controlling interests at the non-controlling interest's proportionate share of acquirees' identifiable net assets.

The fair values of the identifiable assets and liabilities of the subsidiaries acquired during the Relevant Periods as at their respective dates of acquisition are set out as follows:

During the year ended December 31, 2016

	Notes	**Qingdao Group** *HK$'000*
Property, plant and equipment	*14*	316,404
Right-of-use assets	*15*	145,322
Other intangible assets	*18*	91
Long term prepayments		5,525
Investment in an associate		4,159
Inventories		2,363
Trade receivables		10,598
Environmental decommissioning fees receivable		20,503
Other taxes recoverable		170
Prepayments, deposits and other receivables		243,910
Due from related companies		1,048
Cash and cash equivalents		8,398
Trade payables		(18,026)
Other payables and accruals		(195,487)
Other taxes payable		(2,820)
Due to related companies and non-controlling shareholders		(23,636)
Bank and other borrowings		(8,943)
Deferred income		(110,500)
Long term liabilities		(7,624)
Deferred tax liabilities	*34*	(11,448)
Total identifiable net assets at fair value		380,007
Non-controlling interests		(139,546)
		240,461
Goodwill on acquisition	*16*	121,447
		361,908
Satisfied by:		
Cash		121,907
Capital contribution to the acquiree		240,001
		361,908

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Qingdao Group
	HK$'000
Cash consideration	(121,907)
Cash and cash equivalents acquired	8,398
Amortised cost of outstanding cash consideration at end of year	66,010
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(47,499)

Had the above business combination taken place at January 1, 2016, the Group's profit for the year ended December 31, 2016 from continuing operations would have been HK$19,134,000 and the Group's revenue from continuing operations would have been HK$97,228,000.

During the year ended December 31, 2017

	Notes	Binnan Group	Urban Services Group#	Other	Total
		HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	14	58,743	115,547	20,014	194,304
Right-of-use assets	15	9,610	32,516	2,818	44,944
Operating concessions	17	–	68,380	–	68,380
Other intangible assets	18	78	–	–	78
Long term prepayments		–	7,109	–	7,109
Deferred tax assets	34	–	–	222	222
Inventories		1,283	1,614	63	2,960
Trade receivables		87,379	94,865	–	182,244
Environmental decommissioning fees receivable		–	–	6,539	6,539
Other taxes recoverable		–	7,487	–	7,487
Prepayments, deposits and other receivables		271,771	9,653	35	281,459
Due from related companies		1,535	1,124	–	2,659
Pledged deposits		3,301	–	–	3,301
Cash and cash equivalents		17,252	237,430	64	254,746
Trade payables		(7,989)	(6,496)	–	(14,485)
Other payables and accruals		(71,970)	(120,612)	(712)	(193,294)
Other taxes payable		(1,374)	(800)	–	(2,174)
Income tax payable		(2,350)	(2,860)	(8)	(5,218)
Due to related companies		–	(456,020)	–	(456,020)
Bank and other borrowings		(83,035)	–	(29,743)	(112,778)
Total identifiable net assets at fair value		284,234	(11,063)	(708)	272,463
Non-controlling interests		(139,313)	(1,453)	71	(140,695)
		144,921	(12,516)	(637)	131,768
Goodwill on acquisition	16	54,540	12,526	1,794	68,860
		199,461	10	1,157	200,628
Satisfied by:					
Cash		–	10	1,157	1,167
Capital contribution to the acquiree		199,461	–	–	199,461
		199,461	10	1,157	200,628

Beijing Enterprises Urban Services Group Limited and its subsidiaries (together, the "**Urban Services Group**")

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Binnan Group	**Urban Services Group#**	**Other**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash consideration	–	(10)	(1,157)	(1,167)
Cash and cash equivalents acquired	17,252	237,430	64	254,746
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	17,252	237,420	(1,093)	253,579

Had the above business combinations taken place at January 1, 2017, the Group's profit for the year ended December 31, 2017 from continuing operations would have been HK$66,873,000 and the Group's revenue from continuing operations would have been HK$1,201,877,000.

During the year ended December 31, 2018

	Notes	Ningxia	Yunnan	Others	Total
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Property, plant and equipment	*14*	91,087	51,853	169,846	312,786
Right-of-use assets	*15*	3,834	1,829	19,152	24,815
Other intangible assets	*18*	–	–	221	221
Long term prepayments		–	3,047	150	3,197
Contract assets		–	25,405	–	25,405
Deferred tax assets	*34*	1,368	–	–	1,368
Inventories		14,086	–	14,681	28,767
Trade receivables		580	29,982	8,751	39,313
Other taxes recoverable		2,567	4,931	8,194	15,692
Prepayments, deposits and other receivables		26,260	40,631	183,209	250,100
Due from related companies		28,445	(705)	(2,184)	25,556
Pledged deposits		2,473	–	–	2,473
Cash and cash equivalents		2,467	5,046	11,739	19,252
Trade payables		(4,063)	(18,980)	(11,526)	(34,569)
Other payables and accruals		(12,834)	(87,061)	(64,390)	(164,285)
Other taxes payable		–	–	(7)	(7)
Income tax payable		–	(2,086)	65	(2,021)
Bank and other borrowings		(3,710)	(23,168)	(69,739)	(96,617)
Deferred income		(5,565)	–	(10,077)	(15,642)
Deferred tax liabilities	*34*	–	(317)	(12,114)	(12,431)
Total identifiable net assets at fair value		146,995	30,407	245,971	423,373
Non-controlling interests		(57,328)	(2,137)	(83,529)	(142,994)
		89,667	28,270	162,442	280,379
Goodwill on acquisition	*16*	157,680	–	55,301	212,981
Gain on bargain purchase recognized in other income and gains in the consolidated statement of profit or loss		–	(3,322)	(1,404)	(4,726)
		247,347	24,948	216,339	488,634
Satisfied by:					
Cash		247,347	24,948	46,072	318,367
Capital contribution to the acquirees		–	–	170,267	170,267
		247,347	24,948	216,339	488,634

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	Ningxia	Yunnan	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash consideration	(247,347)	(24,948)	(46,072)	(318,367)
Cash and cash equivalents acquired	2,467	5,046	11,739	19,252
Consideration payable included in other payables and accruals	124,706	30,631	41,889	197,226
Net inflow/(outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	(120,174)	10,729	7,556	(101,889)

Had the above business combinations taken place at January 1, 2018, the Group's profit for the year ended December 31, 2018 from continuing operations would have been HK$207,986,000 and the Group's revenue from continuing operations would have been HK$2,483,045,000.

Notes:

(a) In December 2016, the Group completed the acquisition of a 65% equity interest in Qingdao Group which engaged in the provision of hazardous waste treatment services, and waste electrical and electronic equipment treatment services. As part of the equity transfer agreement, the consideration was dependent on the valuation of Qingdao Group as at 31 December 2017. The final consideration was agreed to be HK$361,908,000 which was not significantly different from the initial measurement amount as at 31 December 2016. The purpose of the acquisition is to expand the operations of the Group in the respective fields.

The fair values (which are also their respective gross contractual amounts) of trade receivables, prepayments, deposits and other receivables and amounts due from related companies as at the date of acquisition during the year ended December 31, 2016 amounted to HK$10,598,000, HK$249,435,000 and HK$1,048,000, respectively. None of these receivables had been impaired and it was expected that the full contractual amount could be recovered.

(b) Business combinations during the year ended December 31, 2017 included, inter alia, the following material transactions:

(i) In April 2017, the Group completed the acquisition of a 100% equity interest in Urban Services Group which engaged in the provision of environmental hygiene services in second and third-tier cities in the PRC at an aggregate cash consideration of HK$10,000.

(ii) In July 2017, the Group completed the acquisition of a 51% equity interest in Binnan Group which engaged in the provision of environmental hygiene services in Chongqing and surrounding areas in the PRC in the form of capital injection of HK$199,461,000 to the acquiree.

The purpose of the above acquisitions is to expand the operations of the Group in the respective fields.

The fair values of trade receivables, prepayments, deposits and other receivables and amounts due from related companies as at the dates of acquisitions during the year ended December 31, 2017 amounted to HK$182,244,000, HK$288,568,000 and HK$2,659,000, respectively. The gross contractual amounts of trade receivables, prepayments, deposits and other receivables and amounts due from related companies were HK$186,296,000, HK$288,568,000 and HK$2,659,000, respectively, of which trade receivables of HK$4,052,000 were expected to be uncollectible.

(c) Business combinations during the year ended December 31, 2018 included, inter alia, the following material transactions:

(i) In March 2018, the Group completed the acquisition of a 61% equity interest in Ningxia which engaged in the provision of hazardous waste treatment services in Ningxia at an aggregate cash consideration of HK$247,347,000. As part of the equity transfer agreement, the aggregate cash consideration would be reduced if the financial results for the year ended 31 December 2018 was less than a specified amount. No contingent asset was recognised as the actual financial results was closed to the specified amount.

(ii) In December 2018, the Group completed the acquisition of a 70% equity interest in Yunnan which engaged in the provision of environmental hygiene services in Yunnan at an aggregate cash consideration of HK$24,948,000.

(iii) In December 2018, the Group acquired certain subsidiaries which engaged in the provision of hazardous waste treatment related services at a total cash consideration of HK$216,339,000.

The purpose of the above acquisitions is to expand the operations of the Group in the respective fields.

The fair values (which are also their respective gross contractual amounts) of trade receivables, prepayments, deposits and other receivables and amounts due from related companies as at the dates of acquisitions during the year ended December 31, 2018 amounted to HK$39,313,000, HK253,297,000 and HK$25,556,000, respectively. None of these receivables had been impaired and it was expected that the full contractual amount could be recovered.

41. DISPOSAL OF SUBSIDIARIES

During the year ended December 31, 2018

	Notes	Gansu Huayi	Others	Total
		HK$'000	*HK$'000*	*HK$'000*
Net assets disposed of:				
Property, plant and equipment	*14*	174,533	141	174,674
Right-of-use assets	*15*	30,783	–	30,783
Intangible assets	*18*	571	–	571
Long term prepayments		–	27	27
Inventories		13,182	–	13,182
Trade receivables		8,335	–	8,335
Prepayments, deposits and other receivables		5,217	124	5,341
Due from related companies		11,844	–	11,844
Pledged bank balances		415	–	415
Cash and cash equivalents		2,436	534	2,970
Trade payables		(6,603)	–	(6,603)
Other payables and accruals		(30,655)	(51)	(30,706)
Other taxes payable		(963)	15	(948)
Due to related companies		(9,000)	–	(9,000)
Bank and other borrowings		(265,294)	–	(265,294)
Deferred income		(790)	–	(790)
Other long term liabilities		(6)	–	(6)
Deferred tax liabilities	*34*	(1,142)	–	(1,142)
Non-controlling interests		25,513	(386)	25,127
		(41,624)	404	(41,220)
Exchange fluctuation reserve realized		(4,216)	–	(4,216)
Gain on disposal of a discontinued operation		315,714	–	315,714
Gain on disposal of subsidiaries		–	206	206
		269,874	610	270,484
Satisfied by:				
Cash		269,874	610	270,484

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

During the year ended December 31, 2018

	Gansu Huayi	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Cash consideration	269,874	610	270,484
Cash and cash equivalents disposed of	(2,436)	(534)	(2,970)
Consideration receivable as at year end	(269,874)	–	(269,874)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	(2,436)	76	(2,360)

Details of the disposal of equity interests in Gansu Huayi are set out in note 11 to the Historical Financial Information.

During the period ended June 30, 2019

	Notes	Total HK$'000
Net assets disposed of:		
Property, plant and equipment	*14*	169,960
Goodwill	*16*	56,027
Right-of-use assets	*15*	19,297
Intangible assets	*18*	205
Tax recoverable		1,660
Other taxes recoverable		4,014
Long term prepayments		2,049
Inventories		11,046
Trade receivables		5,676
Prepayments, deposits and other receivables		10,981
Cash and cash equivalents		7,029
Deferred income		(9,877)
Trade payables		(8,711)
Other payables and accruals		(72,409)
Bank and other borrowings		(64,636)
Deferred tax liabilities	*34*	(12,273)
Non-controlling interests		(80,481)
		39,557
Exchange fluctuation reserve realised		(38)
Gain on disposal of subsidiaries	*5*	2,841
		42,360
Satisfied by:		
Offset of current amounts with the acquirees		42,360

An analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

Cash and cash equivalents disposed of	(7,029)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(7,029)

42. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are included in note 32(a) to the Historical Financial Information.

43. COMMITMENTS

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

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Contracted, but not provided for:				
Construction in progress	151,760	185,877	401,606	235,619
Plant and equipment	–	192,409	212,196	154,269
Prepaid land lease premium	–	–	22,221	22,134
	151,760	378,286	636,023	412,022

44. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

		Year ended December 31,			Six months ended June 30,	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Related companies						
Interest expenses	*(i)*	2,882	7,426	4,573	317	74
Interest income	*(ii)*	–	–	3,678	369	3,022
Costs of services provided	*(iii)*	–	1,482	2,808	1,421	2,097
Gain on disposal of items of property, plant and equipment	*(iv)*	–	–	–	–	588
Service income	*(iv)*	–	–	–	–	3,139
Sale of uniforms and machinery	*(v)*	–	–	–	–	871

Notes:

(i) Interest expenses mainly represented amounts paid to a subsidiary of BEWG, further details of which are set out in note 32(b) to the Historical Financial Information.

(ii) The transactions were based on terms mutually agreed between the Group and the related parties. Further details of the interest rates and the name of the entity are included in notes 27(a) and 27(b) to the Historical Financial Information.

(iii) During the years ended December 31, 2017 and 2018, and the periods ended June 30, 2018 and 2019, the Group engaged an associate of BEWG to provide the waste treatment services, based on terms mutually agreed between the Group and the related party.

(iv) The Group transferred certain items of property, plant and equipment for the provision of environmental hygiene services to a subsidiary of BEWG on April 1, 2019 at a cash consideration of HK$29 million. A disposal gain of HK$0.6 million was arisen from the transaction. The Group then immediately entered into an arrangement with the related company to provide entrusted operation for this related party. An amount of HK$3.1 million was recognised for the services provided for the period ended June 30, 2019.

(v) The amount represented income generated from an one-off transaction of sale of uniforms and machinery for the provision of environmental hygiene services to a related company of BEWG.

(vi) The Group leased an office building from a subsidiary of BEWG from 1 January 2019 to 31 December 2021. The rental fee is RMB160,000 per month throughout the contract period. The financial impact of the lease was included in the right-of-use asset and lease liability in the Historical Financial Information for the six months ended 30 June 2019.

(b) Outstanding balances with related parties:

Details of the Group's balances with the related parties are disclosed in note 27 to the Historical Financial Information.

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

	Year ended December 31,			Six months ended June 30,	
	2016	**2017**	**2018**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Short term employee benefits	–	450	1,575	299	830
Post-employment benefits	–	57	137	73	140
Total compensation paid to key management personnel	–	507	1,712	372	970

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

45. FINANCIAL INSTRUMENTS BY CATEGORY

Except for the available-for-sale investment stated at cost as at December 31, 2017, all financial assets and liabilities of the Group as at the end of each of the Relevant Periods were loans and receivables or financial assets and financial liabilities stated at amortized cost, respectively.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group
		HK$'000
For the year ended December 31, 2016		
HK$	100	(1,020)
HK$	(100)	1,020

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group
		HK$'000
For the year ended December 31, 2017		
HK$	100	(4,500)
HK$	(100)	4,500

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group
		HK$'000
For the year ended December 31, 2018		
HK$	100	(10,260)
HK$	(100)	10,260

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax of the Group
		HK$'000
For the six months ended June 30, 2019		
HK$	100	(13,150)
HK$	(100)	13,150

Foreign currency risk

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

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

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

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

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*
For the year ended December 31, 2016		
If HK$ strengthens against RMB by 5%	3,317	(31,802)
If HK$ weakens against RMB by 5%	(3,317)	31,802

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*
For the year ended December 31, 2017		
If HK$ strengthens against RMB by 5%	4,833	(69,590)
If HK$ weakens against RMB by 5%	(4,833)	69,590

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*
For the year ended December 31, 2018		
If HK$ strengthens against RMB by 5%	14,495	(131,153)
If HK$ weakens against RMB by 5%	(14,495)	131,153

	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	HK$'000	*HK$'000*
For the period ended June 30, 2019		
If HK$ strengthens against RMB by 5%	11,440	(135,092)
If HK$ weakens against RMB by 5%	(11,440)	135,092

Credit risk

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

Maximum exposure and year-end staging as at December 31, 2018 and June 30, 2019

From January 1, 2018, upon the adoption of HKFRS 9, management groups financial instruments on basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increase in credit risk and calculation of impairment. The gross carrying amount of each financial asset in the consolidated statements of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets as at December 31, 2018 and June 30, 2019.

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

– significant financial difficulty of the debtor

– a breach of contract such as a default or past due event

– it is probable that the debtor will enter bankruptcy or other financial reorganization

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

The Group has established a policy to perform an assessment as at December 31, 2018, and June 30, 2019, of whether a financial instrument's credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its bills receivables and other receivables into Stage 1 as described below:

Stage 1 When the receivables are first recognized, the Group recognized an allowance based on 12 months' ECL.

Management also makes periodic collective assessments for the receivables as well as individual assessment on the recoverability of the receivables based on historical settlement records, past experience and other factors. The Group classified the receivables into different stages by risk and continuously monitored their credit risk. Management believes that there was no material credit risk inherent in the Group's outstanding balances as at December 31, 2018 and June 30, 2019.

As at December 31, 2018 and June 30, 2019, all pledged deposits and cash and cash equivalents were deposited with creditworthy financial institutions without significant credit risk.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from the financial assets are set out in notes 22, 24, 25 and 26 to the Historical Financial Information.

Maximum exposure as at December 31, 2016 and 2017

Since the Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as at the end of each of the Relevant Periods as the customer bases of the Group's trade receivables are widely dispersed in different locations.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 24 to the Historical Financial Information.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, amounts due from related companies, amounts due from non-controlling shareholders and other receivables, arises from default of the counterparty, with a maximum exposure equal to carrying amounts of these instruments.

Liquidity risk

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

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

At December 31, 2016

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	27,461	–	–	–	27,461
Other payables and accruals	112,701	564	4,265	8,393	125,923
Due to related companies	23,209	–	–	–	23,209
Due to non-controlling shareholders	99,281	–	–	–	99,281
Interest-bearing bank and other borrowings	207,894	–	–	–	207,894
	470,546	564	4,265	8,393	483,768

At December 31, 2017

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	76,273	–	–	–	76,273
Other payables and accruals	523,577	26,646	17,564	24,097	591,884
Due to related companies and shareholders	361,061	–	–	–	361,061
Due to non-controlling shareholders	111,157	–	–	–	111,157
Interest-bearing bank and other borrowings	343,831	15,019	344,520	31,636	735,006
	1,415,899	41,665	362,084	55,733	1,875,381

At December 31, 2018

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	121,928	–	–	–	121,928
Other payables and accruals	938,088	27,027	30,600	81,171	1,076,886
Due to related companies	32,703	–	–	–	32,703
Due to non-controlling shareholders	2,498	–	–	–	2,498
Interest-bearing bank and other borrowings	355,196	493,509	524,972	205,676	1,579,353
	1,450,413	520,536	555,572	286,847	2,813,368

At June 30, 2019

	Within one year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and bills payables	111,229	–	–	–	111,229
Other payables and accruals	834,708	41,003	68,006	113,668	1,057,385
Due to related companies	27,989	–	–	–	27,989
Interest-bearing bank and other borrowings	612,691	299,423	402,964	191,380	1,506,458
	1,586,617	340,426	470,970	305,048	2,703,061

Capital management

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

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

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

	As at December 31,			As at June 30,
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest-bearing bank and other borrowings	203,272	696,821	1,355,147	1,276,209
Lease liabilities	5,616	59,982	111,335	180,096
Total debt	208,888	756,803	1,466,482	1,456,305
Total equity	897,448	1,101,441	2,144,510	2,197,983
Gearing ratio	23%	69%	68%	66%

48. EVENT AFTER THE REPORTING PERIOD

On August 30, 2019, the Group entered into a supplemental agreement with the non-controlling shareholder to dispose of its entire 51% equity interest in Binnan Group to the non-controlling shareholder for a cash consideration of approximately RMB75.3 million. The transaction was completed in October 2019.

49. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2019.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.

PRE-ACQUISITION FINANCIAL INFORMATION OF QINGDAO BEIJING ENTERPRISES RESOURCES AND ENVIRONMENTAL TECHNOLOGY LIMITED

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Beijing Enterprises Urban Resources Group Limited
Haitong International Capital Limited
DBS Asia Capital Limited

Dear Sirs,

We report on the pre-acquisition historical financial information of Qingdao Beijing Enterprises Resources and Environmental Technology Limited ("**Qingdao BE**") and its subsidiaries (together, the "**Qingdao Group**") set out on pages IB-4 to IB-31, which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of Qingdao Group for the period from January 1, 2016 to December 23, 2016 (the "**Qingdao Group Pre-acquisition Period**"), and the consolidated statement of financial position of Qingdao Group and the statement of financial position of Qingdao BE as at December 23, 2016 and a summary of significant accounting policies and other explanatory information (together, the "**Qingdao Group Pre-acquisition Historical Financial Information**"). The Qingdao Group Pre-acquisition Historical Financial Information set out on pages IB-4 to IB-31 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Beijing Enterprises Urban Resources Group Limited (the "**Company**") dated December 30, 2019 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Qingdao Group Pre-acquisition Historical Financial Information

The directors of Qingdao BE are responsible for the preparation of the Qingdao Group Pre-acquisition Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Qingdao Group Pre-acquisition Historical Financial Information, respectively, and for such internal control as the directors of Qingdao BE determine is necessary to enable the preparation of the Qingdao Group Pre-acquisition Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Qingdao Group Pre-acquisition Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Qingdao Group Pre-acquisition Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Qingdao Group Pre-acquisition Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Qingdao Group Pre-acquisition Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Qingdao Group Pre-acquisition Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Qingdao Group Pre-acquisition Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Qingdao Group Pre-acquisition Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Qingdao Group Pre-acquisition Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Qingdao Group and Qingdao BE as at December 23, 2016 and of the financial performance and cash flows of Qingdao Group for the Qingdao Group Pre-acquisition Period in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Qingdao Group Pre-acquisition Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

No adjustment has been made to the Qingdao Group Pre-acquisition Historical Financial Information presented for period from January 1, 2016 to December 23, 2016.

Dividends

No dividends have been paid by Qingdao BE in respect of the Qingdao Group Pre-acquisition Period.

No historical financial statements for the Qingdao BE

As at the date of this report, no statutory financial statements have been prepared for Qingdao BE since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

December 30, 2019

I. QINGDAO GROUP PRE-ACQUISITION HISTORICAL FINANCIAL INFORMATION

(a) Preparation of Qingdao Group Pre-acquisition Historical Financial Information

Set out below is the Qingdao Group Pre-acquisition Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Qingdao Group for the Qingdao Group Pre-acquisition Period, on which the Qingdao Group Pre-acquisition Historical Financial Information is based, were audited by Ernst and Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Qingdao Group Underlying Financial Statements**").

The Qingdao Group Pre-acquisition Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(b) Consolidated statement of profit or loss and other comprehensive income

	Notes	Period from January 1, 2016 to December 23, 2016
		RMB'000
REVENUE	3	62,188
Cost of sales		(44,855)
Gross profit		17,333
Other income	3	1,234
Administrative expenses		(15,959)
Selling and distribution expenses		(395)
Other expenses		(532)
Finance costs	5	(1,217)
Share of loss of an associate		(280)
PROFIT BEFORE TAX	4	184
Income tax expense	7	–
PROFIT FOR THE PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		184
Attributable to:		
Owners of the parent		490
Non-controlling interests		(306)
		184

(c) Consolidated statement of financial position

	Notes	As at December 23, 2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	8	279,131
Right-of-use assets	9	92,931
Other intangible assets	10	81
Goodwill	11	7,990
Investment in an associate	12	3,720
Prepayments, deposits and other receivables	17	4,942
Total non-current assets		388,795
CURRENT ASSETS		
Inventories	13	2,114
Trade and bills receivables	14	9,480
Environmental decommissioning fees receivables	15	18,340
Other tax recoverables	16	152
Prepayments, deposits and other receivables	17	3,529
Due from related companies	18	903
Cash and bank balances	19	7,512
Total current assets		42,030
CURRENT LIABILITIES		
Trade payables	20	16,125
Other taxes payables	16	2,522
Other payables and accruals	21	174,863
Due to related companies	18	7,264
Due to non-controlling shareholders	18	13,879
Interest-bearing bank borrowings	22	8,000
Total current liabilities		222,653
NET CURRENT LIABILITIES		(180,623)
TOTAL ASSETS LESS CURRENT LIABILITIES		208,172

	Notes	As at December 23, 2016 RMB'000
NON-CURRENT LIABILITIES		
Deferred income	23	98,843
Other payables and accruals	21	6,820
Total non-current liabilities		105,663
Net assets		102,509
EQUITY		
Equity attributable to owners of the parent		
Issued capital	24	175,650
Reserves	25	(77,844)
		97,806
Non-controlling interests		4,703
Total equity		102,509

(d) Consolidated statement of changes in equity

	Attributable to owners of the parent						
	Issued capital	Merger reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total (deficiencies in assets)/ equity
	RMB'000	*RMB'000* *(Note 25(b))*	*RMB'000* *(Note 25(c))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016	10,000	42,936	–	(85,658)	(32,722)	(503)	(33,225)
Profit/(loss) for the period and total comprehensive income/(loss) for the period	–	–	–	490	490	(306)	184
Issue of shares *(note 24)*	165,650	–	–	–	165,650	–	165,650
Capital contribution by the then equity owner	–	(612)	–	–	(612)	612	–
Distribution to the then controlling shareholder of a subsidiary	–	(35,000)	–	–	(35,000)	–	(35,000)
Contributions from a non-controlling shareholder of a subsidiary	–	–	–	–	–	4,900	4,900
Transfer between reserves	–	–	1,177	(1,177)	–	–	–
At December 23, 2016	175,650	7,324*	1,177*	(86,345)*	97,806	4,703	102,509

* These reserve accounts comprise the consolidated reserves with a deficit balance of RMB77,844,000 in the consolidated statement of financial position as at December 23, 2016.

(e) Consolidated statement of cash flows

	Notes	Period from January 1, 2016 to December 23, 2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax		184
Adjustments for:		
Depreciation of property, plant and equipment	4	2,995
Depreciation of right-of-use assets	4	1,536
Amortisation of other intangible assets	4	6
Finance costs	5	1,217
Share of loss of an associate		280
		6,218
Decrease in inventories		898
Increase in trade and bills receivables		(8,346)
Increase in environmental decommissioning fees receivables		(7,296)
Decrease in prepayments, deposits and other receivables		51,894
Decrease in other tax recoverables		2,555
Increase in trade payables		8,198
Increase in deferred income		9,628
Increase in other payables and accruals		123,072
Decrease in other taxes payables		(107)
Net cash flows from operating activities		186,714
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment		(94,162)
Purchases of other intangible assets		(37)
Addition to right-of-use assets		(40,439)
Advance to related companies and non-controlling shareholders		(16,103)
Repayment from related companies and non-controlling shareholders		14,990
Net cash flows used in investing activities		(135,751)

	Note	Period from January 1, 2016 to December 23, 2016
		RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of bank borrowings		(40,000)
Proceeds from issue of shares	*24*	165,650
Advance from related companies		13,888
Repayment to related companies		(149,321)
Distribution to the then controlling shareholder of a subsidiary		(35,000)
Capital contributions from non-controlling interests		4,900
Principal portion of lease payments		(646)
Interest paid		(3,233)
Net cash flows used in financing activities		(43,762)
NET INCREASE IN CASH AND CASH EQUIVALENTS		7,201
Cash and cash equivalents at beginning of period		311
CASH AND CASH EQUIVALENTS AT END OF PERIOD		7,512

(f) Statement of financial position

	Notes	As at December 23, 2016 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries		90,877
CURRENT ASSETS		
Right-of-use assets		113
Prepayments, deposits and other receivables	17	83,475
Cash and bank balances	19	1,108
Total current assets		84,696
CURRENT LIABILITIES		
Other payables	21	15
Due to a related company	18	111
Total current liabilities		126
NET CURRENT ASSETS		84,570
TOTAL ASSETS LESS CURRENT LIABILITIES		175,447
Net assets		175,447
EQUITY		
Issued capital	24	175,650
Accumulated losses		(203)
Total equity		175,447

II. NOTES TO THE QINGDAO GROUP PRE-ACQUISITION HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Qingdao Beijing Enterprises Resources and Environmental Technology Limited is a limited liability company incorporated in the People's Republic of China (the "**PRC**"). The registered office address of Qingdao BE is Xintiandi Industrial Park North, 204 Guodao East, Jiangshan Town, Laixi, Shandong Province.

Qingdao BE is an investment holding company. During the Qingdao Group Pre-acquisition Period, Qingdao BE subsidiaries were involved in the following principal activities:

- provision of hazardous waste treatment services; and
- provision of waste electrical and electronic equipment treatment services

As at the end of the Qingdao Group Pre-acquisition Period, Qingdao BE had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to Qingdao BE		Principal activities
			Direct	*Indirect*	
Shandong Pingfu Environmental Services Limited 山東平福環境服務有限公司	the PRC January 25, 2008	RMB47,280,000	100	–	Hazardous waste treatment services
Weifang Beijing Enterprises Environmental Technic Limited 濰坊北控環境技術有限公司	the PRC June 13, 2016	RMB5,600,000	51	–	Hazardous waste treatment services
Qinghai Xintiandi Solid Waste Treatment Limited 青海新天地固體廢物綜合處置有限公司	the PRC August 26, 2016	RMB1,000,000	100	–	Dormant
Geermu Environmental Services Limited 格爾木綠水青山環保服務有限公司	the PRC October 25, 2016	RMB10,000,000	100	–	Dormant
Guangxi Beijing Enterprises Urban Resources Limited 廣西北控城市資源有限公司	the PRC September 17, 2012	RMB36,860,000	100	–	Waste electrical and electronic equipment treatment services
Shaanxi Beijing Enterprises Recycling Resources Limited 陝西北控再生資源有限公司	the PRC May 18, 2010	RMB26,540,000	100	–	Waste electrical and electronic equipment treatment services

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to Qingdao BE		Principal activities
			Direct	*Indirect*	
Chongqing Beijing Enterprises Recycled Resources Limited 重慶北控再生資源有限公司	the PRC November 4, 2010	RMB64,270,000	100	–	Waste electrical and electronic equipment treatment services

Notes:

(a) No audited financial statements have been prepared for these entities for the period from January 1, 2016 to December 23, 2016.

(b) The English names of the PRC entities represent the best effort made by the management of the Company to directly translate the Chinese names of these entities and auditors if they do not register any official English names.

2.1 BASIS OF PRESENTATION

Merger accounting for business combination involving entities under common control

During the period ended December 23, 2016, certain companies now comprising the Qingdao Group were acquired from the then controlling shareholder (the "**Then Controlling Shareholder**"). Such acquisitions were regarded as business combinations under common control as Qingdao BE and those companies acquired were ultimately controlled by the Then Controlling Shareholder. All business combinations under common control were accounted by using merger accounting as if such acquisitions had been completed at the beginning of the Qingdao Group Pre-acquisition Period.

The results and cash flows of the companies acquired were included from the earliest date presented or since the date when the subsidiaries first came under the common control of the Then Controlling Shareholder, where this is a shorter period. The assets and liabilities of the companies acquired were included using the existing book values from the Then Controlling Shareholder's perspective. No adjustments were made to reflect fair values, or recognise any new assets or liabilities as a result of such acquisitions.

Equity interests in subsidiaries held by parties other than the Then Controlling Shareholder, and changes therein, prior to the business combinations under common control are presented as non-controlling interests in equity in applying the principles of merger accounting. Therefore, profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Qingdao Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Qingdao Group Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. Except for HKFRS 9 *Financial Instruments*, all HKFRSs, including HKFRS 15 and HKFRS 16, effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Qingdao Group Historical Financial Information throughout the Qingdao Group Pre-acquisition Period.

The Qingdao Group Pre-acquisition Historical Financial Information has been prepared under the historical cost convention.

Despite that the Qingdao Group had net current liabilities of RMB180,623,000 as at December 23, 2016, the Qingdao Group Historical Financial Information has been prepared by the Qingdao BE Directors under the going concern concept because Beijing Enterprises Urban Resources Group Limited has agreed to provide continual financial support and adequate funds to the Qingdao Group to meet its liabilities as and when they fall due and would not demand repayment due by Qingdao Group until such time the Qingdao Group is in a position to repay such amounts without impairing its liquidity position.

The Qingdao Group Historical Financial Information has been prepared in accordance with the accounting policies set out in note 2.5 in Section II of Appendix IA of the Prospectus.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by Qingdao BE. Control is achieved when the Qingdao 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 Qingdao Group the current ability to direct the relevant activities of the investee).

When Qingdao BE has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Qingdao 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 Qingdao Group's voting rights and potential voting rights.

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

The Qingdao 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 in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Qingdao 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 Qingdao 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 Qingdao Group had directly disposed of the related assets or liabilities.

The results of a subsidiary are included in Qingdao BE's statement of profit or loss to the extent of dividends received and receivable. Qingdao BE's investment in a subsidiary is stated at cost less any impairment losses.

3. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	Notes	Period from January 1, 2016 to December 23, 2016
		RMB'000
Revenue from contract customers		
Hazardous waste treatment services	*(a)*	38,976
Sale of dismantled products	*(a)*	11,394
		50,370
Revenue from other source		
Environmental decommissioning fees income		11,818
		62,188
Other income		
Government grants	*(b)*	343
Tax refunds		517
Others		374
		1,234

Notes:

(a) Disaggregated revenue information

Hazardous waste treatment services and sales of dismantled products are recognised at point in time.

(b) The government grants represented subsidy received for purchase of a land for waste treatment services which was recognised as other income on a systematic basis over the useful life of the underlying asset. Government grants received for which has not been recognised are included in deferred income in the consolidated statement of financial position. There are no unfulfilled conditions or contingencies relating to these grants.

4. PROFIT BEFORE TAX

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

	Notes	Period from January 1, 2016 to December 23, 2016 RMB'000
Cost of inventories sold		25,918
Cost of services provided		18,937
Depreciation of property, plant and equipment	8	2,995
Depreciation of right-of-use assets	9	1,536
Amortisation of other intangible assets	10	6
Minimum lease payments under operating leases		769
Auditor's remuneration		65
Employee benefits expense (excluding Qingdao BE Directors' remuneration *(note 6)*):		
Wages and salaries		7,057
Pension scheme contributions		1,270
		8,327
Impairment of trade receivables*	14	193

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

5. FINANCE COSTS

	Period from January 1, 2016 to December 23, 2016 RMB'000
Interest on bank borrowings	3,233
Interest on lease liabilities	348
Less: Interest capitalised	(2,364)
	1,217

6. DIRECTORS' REMUNERATION OF QINGDAO BE

No director of Qingdao BE received any fees and emoluments in respect of their services rendered to the Qingdao Group during the Qingdao Group Pre-acquisition Period.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Qingdao Group Pre-acquisition Period.

7. INCOME TAX EXPENSE

No provision for corporate income tax in the PRC has been made as Qingdao Group did not generate any assessable profits arising in the PRC during the Qingdao Group Pre-acquisition Period.

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at Qingdao Group's effective tax rate is as follows:

	Period from January 1, 2016 to December 23, 2016
	RMB'000
Profit before tax	184
Tax credit at the statutory tax rate of 25%	46
Income not subject to tax	(46)
Tax charge at the Qingdao Group's effective rate	–

There was no share of tax attributable to an associate during the Qingdao Group Pre-acquisition Period.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2016:						
Cost	14,001	10,127	1,219	2,530	164,200	192,077
Accumulated depreciation	(1,102)	(2,842)	(761)	(1,771)	–	(6,476)
Net carrying amount	12,899	7,285	458	759	164,200	185,601
Net carrying amount:						
At January 1, 2016	12,899	7,285	458	759	164,200	185,601
Additions	1,694	1,043	281	213	93,294	96,525
Transfers	401	1,399	–	–	(1,800)	–
Depreciation provided during the period	(1,227)	(1,451)	(81)	(236)	–	(2,995)
At December 23, 2016	13,767	8,276	658	736	255,694	279,131
At December 23, 2016:						
Cost	16,096	12,569	1,500	2,743	255,694	288,602
Accumulated depreciation	(2,329)	(4,293)	(842)	(2,007)	–	(9,471)
Net carrying amount	13,767	8,276	658	736	255,694	279,131

9. RIGHT-OF-USE ASSETS

	Buildings	Prepaid land lease premium	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2016	4,121	47,802	51,923
Additions	2,105	40,439	42,544
Depreciated provided during the period	(152)	(1,384)	(1,536)
December 23, 2016	6,074	86,857	92,931

10. OTHER INTANGIBLE ASSETS

	2016
	RMB'000
Computer software	
At January 1:	
Cost	56
Accumulated amortisation	(6)
Net carrying amount	50
Net carrying amount:	
At January 1	50
Additions	37
Amortization provided during the period	(6)
At December 23	81
At December 23:	
Cost	93
Accumulated amortization	(12)
Net carrying amount	81

11. GOODWILL

	RMB'000
As at January 1, 2016 and December 23, 2016:	
Cost and net carrying amount	7,990

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the cash generating unit of the acquired hazardous waste treatment business for impairment testing.

The recoverable amount of the relevant business unit has been determined based on value in use calculation using cash flow projection which is based on financial forecast approved by senior management covering a period of 5 years and based on the assumption that the size of the operation remains constant. The pre-tax discount rate applied to the cash flow projection was 17.7% for the business unit of the hazardous waste treatment segment, which is determined by reference to the average rates for similar industries and the business risks of the relevant business unit. The growth rate used to extrapolate the cash flows beyond the five-year period was 3%.

Based on the result of the impairment testing of goodwill, in the opinion of the directors of the Qingdao BE, no impairment provision was considered necessary for the Qingdao Group's goodwill as at December 23, 2016.

Management believes that any reasonably possible changes to the key assumptions applied would not lead to impairment of goodwill as at December 23, 2016.

The sensitivity analysis set forth below has been determined based on the exposure to the pre-tax discount rate and five-year period growth rate, representing the key inputs to the determination of the recoverable amount.

The headroom (representing the excess of the cash-generating unit's recoverable amount over its carrying amount) is HK$576,699,000 as at December 23, 2016.

Had the estimated key assumptions been changed as at December 23, 2016 as below, the headroom would be increased/(decreased) by:

	Hazardous waste treatment CGUs
	HK$'000
Pre-tax discount rate decreased by 0.5%	55,315
Pre-tax discount rate increased by 0.5%	(51,417)
Five-year period growth rate increased by 1%	76,949
Five-year period growth rate decreased by 1%	(40,914)

12. INVESTMENT IN AN ASSOCIATE

	As at December 23, 2016
	RMB'000
Share of net assets	3,720

13. INVENTORIES

	As at December 23, 2016
	RMB'000
Raw materials	1,951
Finished goods	163
	2,114

14. TRADE AND BILLS RECEIVABLES

	As at December 23, 2016
	RMB'000
Trade receivables	8,990
Less: impairment	(193)
	8,797
Bills receivables	683
	9,480

The Qingdao 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 two months. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Qingdao Group's trade receivables relate to a number of customers, there is no significant concentration of credit risk. The Qingdao 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 December 23, 2016 based on the invoice date and net of provisions, is as follows:

	As at December 23, 2016
	RMB'000
Within 1 month	8,194
1 to 2 months	597
Over 3 months	6
	8,797

The movement in the provision for impairment of trade receivables during the Qingdao Group Pre-acquisition Period is as follows:

	2016
	RMB'000
At January 1	–
Impairment loss *(note 4)*	193
At December 23	193

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 23, 2016
	RMB'000
Neither past due nor impaired	8,792
1 to 3 months past due	5
	8,797

Receivables that were neither past due nor impaired related to a number of customers for whom there was no recent history of default.

15. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLES

The balance represented government subsidies receivables from the Central Government of the People's Republic of China for the waste electrical and electronic equipment treatment services. The Qingdao 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 reports would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notices on its website the quantities of dismantling appliance and an environmental decommissioning fee would be paid to the entities after 3 to 4 years of 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 Qingdao Group does not hold any collateral over these balances. In the opinion of directors of Qingdao BE, the credit risk on these balances is limited because the amounts are due from the Central Government.

16. OTHER TAXES RECOVERABLES/(PAYABLES)

	As at December 23, 2016
	RMB'000
Other tax recoverable:	
Value-added tax	152
Other taxes payables:	
Value-added tax	1,455
Land use tax	545
Others	522
	2,522

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Qingdao Group	Qingdao BE
	As at December 23,	
	2016	2016
	RMB'000	*RMB'000*
Advances to suppliers	213	–
Prepayment for acquisition of land use right	4,001	–
Prepayments for acquisition of items of property, plant and equipment	941	–
Tax refund receivables	258	–
Due from an associate *(note (a))*	34	34
Due from group companies *(note (a))*	–	83,418
Other receivables	3,024	23
	8,471	83,475
Portion classified as current portion	(3,529)	(83,475)
Non-current portion	4,942	–

Notes:

(a) The balances with an associate and group companies are unsecured, interest-free and repayable on demand.

(b) None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

Particulars of the Qingdao Group's balances with related companies and non-controlling shareholders are as follows:

	Qingdao Group	Qingdao BE
	As at December 23,	
	2016	2016
	RMB'000	*RMB'000*
Amounts due from related companies		
Qingdao Xin Tian Di Solid Waste Treatment Limited 青島新天地固體廢物綜合處置有限公司	786	–
Qingdao Xin Tian Di Environmental Protection Limited 青島新天地環境保護有限責任公司	117	–
	903	–
Amounts due to related companies		
Qingdao Xin Tian Di Investment Limited 青島新天地投資有限公司	7,135	111
Shan Xi Xin Tian Di Recycled Resources Limited 陝西新天地再生資源有限公司	9	–
Qingdao Xin Tian Di Solid Waste Treatment Limited 青島新天地固體廢物綜合處置有限公司	120	–
	7,264	111
Amounts due to non-controlling shareholders		
Shou Guang Fu Kang Pharmaceuticals Limited 壽光富康製藥有限公司	4,779	–
Shou Guang Dong Cheng Water Group Limited 壽光東城水務有限公司	9,100	–
	13,879	–

Notes:

(a) The related companies of Qingdao Group as disclosed above are all subsidiaries held by the then Controlling Shareholder.

(b) Balances with related companies and non-controlling shareholders are unsecured, interest-free and repayable on demand.

19. CASH AND BANK BALANCES

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Qingdao Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

20. TRADE PAYABLES

An ageing analysis of the trade payables as at December 23, 2016, based on the invoice date, is as follows:

	As at December 23, 2016
	RMB'000
Within 1 month	1,556
1 to 2 months	1,511
2 to 3 months	1,917
Over 3 months	11,141
	16,125

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

21. OTHER PAYABLES AND ACCRUALS

	Qingdao Group	**Qingdao BE**
	As at December 23,	
	2016	**2016**
	RMB'000	*RMB'000*
Accruals	4,255	–
Payables for acquisitions of items of property, plant and equipment	49,865	–
Contract liabilities	13,001	–
Lease liabilities *(note)*	5,022	–
Other payables	109,540	15
	181,683	15
Portion classified as current liabilities	(174,863)	(15)
Non-current portion	6,820	–

Notes:

(a) Current portion of the other payables are non-interest-bearing and have an average credit term of three months.

(b) The following is the summarised information of the lease liabilities:

	Note	2016
		RMB'000
As at January 1		3,215
Additions		2,105
Payments		(646)
Interest expense	*5*	348
As at December 23		5,022

22. INTEREST-BEARING BANK BORROWINGS

	As at December 23, 2016
	RMB'000
Secured bank loans, repayable within one year	8,000

Notes:

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

(i) corporate guarantees executed by certain subsidiaries of the Qingdao Group to the extent of RMB8,000,000 as at December 23, 2016;

(ii) personal guarantees executed by the shareholder of Qingdao BE, to the extent of RMB8,000,000 as at December 23, 2016; and

(iii) the pledge of certain of the Qingdao Group's prepaid land lease payments amounting to RMB2,911,000 as at December 23, 2016 (note 9).

(b) The bank loans are denominated in Renminbi and the effective interest rate (per annum) is 8.81%.

23. DEFERRED INCOME

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

24. ISSUED CAPITAL

	As at December 23, 2016
	RMB'000
Registered capital	175,650

The movement in the Qingdao BE's issued share capital during the Qingdao Group Pre-acquisition Period is as follows:

	Issued capital
	RMB'000
At January 1, 2016	10,000
Capital injection	165,650
At December 23, 2016	175,650

On December 1, 2016, capital contribution of RMB165,650,000 was made by the then existing shareholders of the Qingdao BE.

25. RESERVES

(a) Qingdao Group

The amounts of the Qingdao Group's reserves and the movements therein during the Qingdao Group Pre-acquisition Period are presented in the consolidated statements of changes in equity.

(b) Merger reserve

The merger reserve represents the reserve arising from the reorganisation of the Qingdao Group during the Qingdao Group Pre-acquisition Period.

(c) PRC reserve funds

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Laws as applicable to the Qingdao BE' subsidiaries. None of the Qingdao Group's PRC reserve funds as at December 23, 2016 were distributable in the form of cash dividends.

26. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities	Due to related companies and non-controlling shareholders	Bank and other borrowings
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2016	3,215	156,576	48,000
New lease	2,105	–	–
Changes from financing cash flows	(646)	(135,433)	(40,000)
Interest on lease liabilities	348	–	–
At December 23, 2016	5,022	21,143	8,000

27. COMMITMENTS

The Qingdao Group had the following capital commitments at December 23, 2016:

	RMB'000
Contracted, but not provided for:	
Construction in progress	302,440

28. RELATED PARTY TRANSACTIONS

(a) The Qingdao Group had no material transactions with related parties during the Qingdao Group Pre-acquisition Period.

(b) Outstanding balances with related parties:

Details of the Qingdao Group's balances with the related parties are disclosed in notes 17, 18 and 21 to the Qingdao Group Historical Financial Information.

(c) The compensation of key management personnel of the Qingdao Group for the Qingdao Group Pre-acquisition Period represented the Qingdao BE Directors' emoluments as disclosed in note 6 to the Qingdao Group Historical Financial Information.

29. FINANCIAL INSTRUMENTS BY CATEGORY

At December 23, 2016, all the financial assets and liabilities of the Qingdao Group were loans and receivables and financial liabilities at amortised cost.

30. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Qingdao Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and balances with related companies approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Fair value hierarchy

The Qingdao Group did not have any financial assets or liabilities measured at fair value as at December 23, 2016.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Qingdao Group's principal financial instruments, comprise interest-bearing bank borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Qingdao Group's operations. The Qingdao Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

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

Interest rate risk

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

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

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax of the Qingdao Group**
		RMB'000
For the year ended December 23, 2016		
RMB	100	80
RMB	(100)	(80)

Credit risk

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

The credit risk of the Qingdao Group's other financial assets, which comprise cash and cash equivalents, amounts due from related companies, and other receivables, arises from default of the counterparty, with a maximum exposure equal to carrying amounts of these instruments.

Since the Qingdao Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Qingdao Group.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 14 to the Qingdao Group Historical Financial Information.

Liquidity risk

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

The table below summaries the maturity profile of the Qingdao Group's financial liabilities as at December 23, 2016, based on the contractual undiscounted payments, is as follows:

	At December 23, 2016			
	Within 1 year or on demand	In the second year	In the third to fifth years, inclusive	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	16,125	–	–	16,125
Other payables	175,740	2,070	13,484	191,294
Due to related companies and non-controlling shareholders	21,143	–	–	21,143
Interest-bearing bank borrowings	8,216	–	–	8,216
	221,224	2,070	13,484	236,778

Capital management

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

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

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

	RMB'000
Interest-bearing bank borrowings	8,000
Lease liabilities	5,022
Total debt	13,022
Total equity	102,509
Gearing ratio	12.7%

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.

PRE-ACQUISITION FINANCIAL INFORMATION OF BEIJING ENTERPRISES URBAN SERVICES GROUP LIMITED

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Beijing Enterprises Urban Resources Group Limited
Haitong International Capital Limited
DBS Asia Capital Limited

Dear Sirs,

We report on the pre-acquisition historical financial information of Beijing Enterprises Urban Services Group Limited ("**BE Urban Services BVI**") and its subsidiaries (together, the "**Urban Services Group**") set out on pages IC-4 to IC-36, which comprises the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of Urban Services Group for the year ended December 31, 2016 and the period from January 1, 2017 to April 28, 2017 (the "**Urban Services Group Pre-acquisition Periods**"), and the consolidated statements of financial position of Urban Services Group and the statements of financial position of BE Urban Services BVI as at December 31, 2016 and April 28, 2017 and a summary of significant accounting policies and other explanatory information (together, the "**Urban Services Group Pre-acquisition Historical Financial Information**"). The Urban Services Group Pre-acquisition Historical Financial Information set out on pages IC-4 to IC-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Beijing Enterprises Urban Resources Group Limited (the "**Company**") dated December 30, 2019 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Urban Services Group Pre-acquisition Historical Financial Information

The directors of BE Urban Services BVI are responsible for the preparation of the Urban Services Group Pre-acquisition Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Urban Services Group Pre-acquisition Historical Financial Information, respectively, and for such internal control as the directors of BE Urban Services BVI determine is necessary to enable the preparation of the Urban Services Group Pre-acquisition Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Urban Services Group Pre-acquisition Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Urban Services Group Pre-acquisition Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Urban Services Group Pre-acquisition Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Urban Services Group Pre-acquisition Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Urban Services Group Pre-acquisition Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Urban Services Group Pre-acquisition Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Urban Services Group Pre-acquisition Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Urban Services Group Pre-acquisition Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Urban Services Group and BE Urban Services BVI as at December 31, 2016 and April 28, 2017 and of the financial performance and cash flows of the Urban Services Group for each of the Urban Services Group Pre-acquisition Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Urban Services Group Pre-acquisition Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

No adjustment has been made to the Urban Services Group Pre-acquisition Historical Financial Information presented for the year ended December 31, 2016 and the period from January 1, 2017 to April 28, 2017.

Dividends

No dividends have been paid by BE Urban Services BVI in respect of the Urban Services Group Pre-acquisition Periods.

No historical financial statements for the BE Urban Services BVI

As at the date of this report, no statutory financial statements have been prepared for BE Urban Services BVI since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

December 30, 2019

I. URBAN SERVICES GROUP PRE-ACQUISITION HISTORICAL FINANCIAL INFORMATION

(a) Preparation of Urban Services Group Pre-acquisition Historical Financial Information

Set out below is the Urban Services Group Pre-acquisition Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Urban Services Group for the Urban Services Group Pre-acquisition Periods, on which the Urban Services Group Pre-acquisition Historical Financial Information is based, were audited by Ernst and Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Urban Services Group Underlying Financial Statements**").

The Urban Services Group Pre-acquisition Historical Financial Information is presented in Hong Kong dollars ("**HKD**") and all values are rounded to the nearest thousand (HKD'000) except when otherwise indicated.

(b) Consolidated statements of profit or loss

	Notes	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
		HK$'000	*HK$'000*
REVENUE	3	131,412	106,272
Cost of sales		(96,108)	(75,403)
Gross profit		35,304	30,869
Other income and gains, net	3	3,474	557
Administrative expenses		(48,188)	(22,871)
Other expenses		(2)	(3,484)
Finance costs		(575)	(654)
PROFIT/(LOSS) BEFORE TAX	4	(9,987)	4,417
Income tax expense	6	(4,568)	(3,525)
PROFIT/(LOSS) FOR THE YEAR/PERIOD		(14,555)	892
Attributable to:			
Owners of the parent		(14,020)	871
Non-controlling interests		(535)	21
		(14,555)	892

(c) Consolidated statements of comprehensive income

	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR/PERIOD	(14,555)	892
Other comprehensive income/(loss) may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(2,403)	1,516
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(16,958)	2,408
Attributable to:		
Owners of the parent	(16,445)	2,390
Non-controlling interests	(513)	18
	(16,958)	2,408

(d) Consolidated statements of financial position

	Notes	As at December 31, 2016	As at April 28, 2017
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	7	96,218	115,547
Operating concessions	8	69,314	68,380
Right-of-use assets	9	32,961	32,516
Prepayments	12	2,707	7,109
Total non-current assets		201,200	223,552
CURRENT ASSETS			
Inventories	10	1,240	1,614
Trade receivables	11	63,586	94,865
Other tax recoverables	17	6,680	7,487
Prepayments, deposits and other receivables	12	6,727	9,653
Due from fellow subsidiaries	13	23	619
Due from a non-controlling shareholder	13	–	505
Cash and bank balances	14	56,304	237,430
Total current assets		134,560	352,173
CURRENT LIABILITIES			
Trade payables	15	4,296	6,496
Other payables and accruals	16	123,644	90,193
Income tax payables		3,320	2,860
Other taxes payables	17	273	800
Due to the ultimate holding company	13	132,915	368,182
Due to fellow subsidiaries	13	52,640	87,838
Total current liabilities		317,088	556,369
NET CURRENT LIABILITIES		(182,528)	(204,196)
TOTAL ASSETS LESS CURRENT LIABILITIES		18,672	19,356

	Notes	As at December 31, 2016	As at April 28, 2017
		HK$'000	HK$'000
NON-CURRENT LIABILITIES			
Other payables	16	34,091	30,419
Net liabilities		(15,419)	(11,063)
DEFICIENCY IN ASSETS			
Deficiency in assets attributable to owners of the parent			
Issued capital	18	–*	–*
Reserves	19	(14,906)	(12,516)
		(14,906)	(12,516)
Non-controlling interests		(513)	1,453
Total deficiency in assets		(15,419)	(11,063)

* *Represented an amount less than HK$1,000*

(e) Consolidated statements of changes in equity

	Attributable to owners of the parent							
	Issued capital	Merger reserve	Exchange fluctuation reserve	PRC reserve funds	Accumulated losses	Total	Non-controlling interests	Total deficiency in assets
	HK$'000	*HK$'000* *(Note 19(b))*	*HK$'000*	*HK$'000* *(Note 19(c))*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At January 1, 2016	–	16,602	1,200	–	(13,501)	4,301	–	4,301
Loss for the year	–	–	–	–	(14,020)	(14,020)	(535)	(14,555)
Other comprehensive Income/(loss) for the year: Exchange differences on translation of foreign operations	–	–	(2,425)	–	–	(2,425)	22	(2,403)
Total comprehensive income/(loss) for the year	–	–	(2,425)	–	(14,020)	(16,445)	(513)	(16,958)
Capital contribution to the then shareholder	–	(2,743)	–	–	–	(2,743)	–	(2,743)
Deemed distribution to the then equity owner	–	(19)	–	–	–	(19)	–	(19)
Transfer between reserves	–	–	–	1,309	(1,309)	–	–	–
At December 31, 2016 and January 1, 2017	–*	13,840#	(1,225)#	1,309#	(28,830)#	(14,906)	(513)	(15,419)
Profit/(loss) for the period	–	–	–	–	871	871	21	892
Other comprehensive income/(loss) for the period: Exchange differences on translation of foreign operations	–	–	1,519	–	–	1,519	(3)	1,516
Total comprehensive income/(loss) for the period	–	–	1,519	–	871	2,390	18	2,408
Acquisition of a subsidiary *(note 21)*	–	–	–	–	–	–	1,154	1,154
Capital contribution from non-controlling interests	–	–	–	–	–	–	794	794
Transfer between reserves	–	–	–	1,711	(1,711)	–	–	–
At April 28, 2017	–*	13,840#	294#	3,020#	(29,670)#	(12,516)	1,453	(11,063)

\# These reserve accounts comprise the consolidated reserves with a deficit balance of HK$14,906,000 and HK$12,516,000 in the consolidated statements of financial position as at December 31, 2016 and April 28, 2017, respectively.

* *Represented an amount less than HK$1,000*

(f) Consolidated statements of cash flows

	Notes	Year ended December 31, 2016 HK$'000	Period from January 1, 2017 to April 28, 2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(9,987)	4,417
Adjustments for:			
Interest income	3	(169)	(102)
Gain on bargain purchase of a subsidiary	3	–	(73)
Depreciation of property, plant and equipment	4	4,527	5,165
Depreciation of right-of-use assets	4	1,397	1,499
Amortization of operating concessions	4	1,279	1,686
Finance costs		575	654
		(2,378)	13,246
Increase in inventories		(1,294)	(359)
Increase in trade receivables		(66,390)	(30,285)
Increase in prepayments, deposits and other receivables		(16,818)	(7,373)
Increase in trade payables		4,486	2,147
Increase in other payables and accruals		16,318	545
		(66,076)	(22,079)
Interest received		169	102
Corporate income tax paid in the People's Republic of China (the "**PRC**" or "**Mainland China**")		(1,101)	(4,294)
Net cash flows used in operating activities		(67,008)	(26,271)

	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
	HK$'000	*HK$'000*
Net cash flows used in operating activities	(67,008)	(26,271)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(40,001)	(16,633)
Proceeds from disposal of items of property, plant and equipment	5	–
Advance to fellow subsidiaries	(25)	(1,101)
Repayment from fellow subsidiaries	72	–
Additions of operating concessions	(25,824)	(45,204)
Acquisition of a subsidiary *(note 21)*	–	1,622
Net cash flows used in investing activities	(65,773)	(61,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from fellow subsidiaries and the ultimate holding company	182,483	269,789
Capital contribution from non-controlling interests	–	794
Principal portion of lease payments	(7,293)	(1,614)
Net cash flows from financing activities	175,190	268,969
NET INCREASE IN CASH AND CASH EQUIVALENTS	42,409	181,382
Cash and cash equivalents at beginning of year/period	9,436	56,304
Effect of foreign exchange rate changes, net	4,459	(256)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	56,304	237,430

(g) Statements of financial position

	Notes	As at December 31, 2016 HK$'000	As at April 28, 2017 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries		–*	–*
CURRENT ASSET			
Due from a subsidiary and a fellow subsidiary	13	132,846	133,014
CURRENT LIABILITY			
Due to the ultimate holding company	13	132,889	133,063
NET CURRENT LIABILITIES		(43)	(49)
TOTAL ASSETS LESS CURRENT LIABILITY		(43)	(49)
Net liabilities		(43)	(49)
DEFICIENCY IN ASSETS			
Issued capital	18	–*	–*
Reserve		(43)	(49)
Total deficiency in assets		(43)	(49)

* *Represented an amount less than HK$1,000*

II. NOTES TO THE URBAN SERVICES GROUP PRE-ACQUISITION HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

BE Urban Services BVI is a limited liability company incorporated in the British Virgin Islands. The registered office address of BE Urban Services BVI is located at Portcullis TrustNet Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands.

BE Urban Services BVI is an investment holding company. During the Urban Services Group Pre-acquisition Periods, BE Urban Services BVI's subsidiaries were involved in the provision of environmental hygiene services in different cities in the PRC.

As at April 28, 2017, BE Urban Services BVI had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to BE Urban Services BVI		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Hong Kong) Group Company Limited 北控城市服務(香港)有限公司 *(note (c))*	Hong Kong June 16, 2015	HK$1	100	–	Investment holding
Beijing Enterprises Urban Services Investment (PRC) Group Co., Ltd. 北控城市服務投資(中國)集團有限公司*(note (a))*#	the PRC July 27, 2015	US$50,000,000	–	100	Investment holding
Beijing Enterprises Urban Services (Baoding Dingxing) Limited 北控城市服務(保定定興)有限公司*(note (a))*#	the PRC March 10, 2016	RMB10,000,000	–	100	Environmental hygiene services
Beijing Enterprises Qingdaofu (Beijing) Urban Environmental Service Limited ("**BE Cleaning**") 北控清道夫(北京)城市環境服務有限公司*(note (b))*	the PRC March 1, 2017	RMB960,000	–	51	Environmental hygiene services
Beijing Enterprises Urban Services (Tuoketuo) Limited 北控城市服務(托克托)有限公司 *(note (a))*#	the PRC March 15, 2016	RMB7,590,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Xinji) Limited 北控城市服務(辛集)有限公司 *(note (a))*#	the PRC April 12, 2016	RMB15,000,000	–	100	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to BE Urban Services BVI		Principal activities
			Direct	Indirect	
Beijing Enterprises (Henan) Environmental Development Limited 北控（河南）環境發展有限公司 *(note (a))*@	the PRC May 6, 2016	RMB6,278,000	–	73	Environmental hygiene services
Beijing Enterprises Urban Services (Renhua) Limited 北控城市服務（仁化）有限公司 *(note (a))*	the PRC June 1, 2016	RMB4,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Tangshan) Environmental Service Limited 北控（唐山）環境服務有限公司 *(note (a))*#	the PRC July 28, 2016	RMB6,000,000	–	100	Environmental hygiene services
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控（滄州河間）環境服務有限公司 *(note (a))*#	the PRC September 30, 2016	RMB17,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nong'an) Limited 北控城市服務（農安）有限公司 *(note (a))*#	the PRC November 11, 2016	RMB14,500,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Liquan) Limited 北控城市服務（禮泉）有限公司 *(note (a))*#	the PRC November 16, 2016	RMB9,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Nanxiong) Limited 北控城市服務（南雄）有限公司 *(note (a))*	the PRC November 22, 2016	RMB7,000,000	–	100	Environmental hygiene services
Beijing Enterprises Urban Services (Zhongning) Limited 北控城市服務（中寧）有限公司 *(note (a))*@	the PRC December 2, 2016	RMB15,150,000	–	70	Environmental hygiene services
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控（秦皇島）環境 服務有限公司 *(note (a))*@	the PRC December 27, 2016	RMB8,000,000	–	90	Environmental hygiene services

Company name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered capital	Percentage of equity attributable to BE Urban Services BVI		Principal activities
			Direct	Indirect	
Beijing Enterprises Urban Services (Shanxi) Limited 北控城市服務(陝西)有限公司 *(note (b))*	the PRC December 29, 2016	RMB3,617,550	–	70	Dormant
Beijing Enterprises Urban Services (Wugong) Limited 北控城市服務(武功)有限公司 *(note (b))*	the PRC March 16, 2017	RMB742,400	–	70	Dormant
Beijing Enterprises (Tangshan) Urban Services Limited 北控(唐山)城市服務有限公司 *(note (b))*	the PRC March 30, 2017	RMB5,000,000	–	100	Dormant
Beijing Enterprises Urban Services (Hohhot Saihan District) Limited 北控城市服務(呼和浩特市賽罕區)有限公司*(note (b))*	the PRC April 11, 2017	RMB6,700,000	–	67	Dormant
Beijing Enterprises Urban Services (Hohhot Huimin District) Limited 北控城市服務(呼和浩特市回民區)有限公司*(note (b))*	the PRC April 11, 2017	RMB4,000,000	–	100	Dormant
Dengzhou Beijing Enterprises Urban Services Limited 鄧州北控城市服務有限公司*(note (b))*	the PRC March 9, 2017	RMB10,000,000	–	51	Dormant
Beijing Enterprises Environmental Service (Dengzhou) Limited 北控環境服務(鄧州)有限公司 *(note (b))*	the PRC March 30, 2017	RMB10,000,000	–	100	Dormant
Beijing Enterprises Haiwo (Yangzhou) Environmental Service Limited 北控海沃(揚州)環境服務有限公司 *(note (b))*	the PRC December 26, 2016	RMB10,000,000	–	70	Dormant
Beijing Enterprises Environmental Investment (Guizhou) Limited 北控環境投資(貴州)有限公司 *(note (b))*	the PRC November 24, 2016	RMB30,000,000	–	55	Dormant

Notes:

\# A wholly-foreign-owned enterprise under PRC law

@ A Chinese-Foreign Equity Joint Venture enterprise under PRC law

(a) The statutory financial statements for the year/period ended December 31, 2016 prepared under PRC Generally Accepted Accounting Principles ("**PRC GAAP**") were audited by Mazars Certified Public Accountants LLP, certified public accountants registered in the PRC.

(b) The financial statements of these entities have not been audited as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(c) The statutory financial statements for the year ended December 31, 2016 prepared under HKFRS were audited by Ernst & Young.

No financial statements of these entities were prepared for the period from January 1, 2017 to April 28, 2017.

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

2.1 BASIS OF PRESENTATION

Merger accounting for business combinations involving entities under common control

Prior to and during the Urban Services Group Pre-acquisition Periods, the companies now comprising the Urban Services Group were acquired from Beijing Enterprises Water Group Limited ("**BEWG**"), the then holding company of BE Urban Services BVI. Such acquisitions were regarded as business combinations under common control as BE Urban Services BVI and those companies acquired were ultimately controlled by BEWG. All business combinations under common control were accounted by using merger accounting as if such acquisitions had been completed at the beginning of the Urban Services Group Pre-acquisition Periods.

The results and cash flows of the companies acquired were included from the earliest date presented or since the date when the subsidiaries first came under the common control of BEWG, where this is a shorter period. The assets and liabilities of the companies acquired were included using the existing book values from BEWG's perspective. No adjustments were made to reflect fair values, or recognize any new assets or liabilities as a result of such acquisitions.

Equity interests in subsidiaries held by parties other than BEWG, and changes therein, prior to the business combinations under common control are presented as non-controlling interests in equity in applying the principles of merger accounting. Therefore, profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Urban Services Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Urban Services Group Pre-acquisition Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. Except for HKFRS 9 *Financial Instruments*, all HKFRSs, including HKFRS 15 and HKFRS 16 effective for the accounting period commencing from January 1, 2019, together with the relevant transitional provisions, have been early adopted by the Urban Services Group in the preparation of the Urban Services Group Pre-acquisition Historical Financial Information throughout the Urban Services Group Pre-acquisition Periods.

The Urban Services Group Pre-acquisition Historical Financial Information has been prepared under the historical cost convention.

Despite that BE Urban Services BVI had net current liabilities of HK$204,196,000 and deficiency in assets of HK$11,063,000 as at April 28, 2017, the Urban Services Group Pre-acquisition Historical Financial Information has been prepared by the BE Urban Services BVI Directors under the going concern concept because Beijing Enterprises Urban Resources Group Limited has agreed to provide continual financial support and adequate funds for the Urban Services Group to meet its liabilities as and when they fall due and would not demand repayment due by Urban Services Group until such time as the Urban Services Group is in a position to repay such amounts without impairing its liquidity position.

The Urban Services Group Pre-acquisition Historical Financial Information has been prepared in accordance with the accounting policies set out in note 2.5 in Section II of Appendix IA of this Prospectus.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by BE Urban Services BVI. Control is achieved when the Urban Services 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 Urban Services Group the current ability to direct the relevant activities of the investee).

When BE Urban Services BVI has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Urban Services 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 Urban Services Group's voting rights and potential voting rights.

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

The Urban Services 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 in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Urban Services Group loses control over a subsidiary, it derecognizes (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 recognizes (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 Urban Services Group's share of components previously recognized 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 Urban Services Group had directly disposed of the related assets or liabilities.

The result of a subsidiary of BE Urban Services BVI included in Urban Services Group's statement of profit or loss to the extent of dividends received and receivable. The investment in a subsidiary of BE Urban Services BVI is stated at cost less any impairment losses.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Notes	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
		HK$'000	*HK$'000*
Revenue from contract customers			
Environmental hygiene services	*(a)*	131,412	106,272
Other income			
Interest income		169	102
Foreign exchange differences, net		3,262	148
Gain on bargain purchase of a subsidiary	*21*	–	73
Others		43	234
		3,474	557

Note:

(a) Disaggregated revenue information

Environmental hygiene services are recognized over time.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) of environmental hygiene services in the Urban Services Group Pre-acquisition Periods are as follows:

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Within one year	283,302	374,690
More than one year	4,149,397	4,893,696
	4,432,699	5,268,386

The remaining performance obligations expected to be recognised in more than one year are to be satisfied from 4 to 25 years. The amounts disclosed above do not include variable consideration which is constrained.

4. PROFIT/(LOSS) BEFORE TAX

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

	Notes	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
		HK$'000	*HK$'000*
Cost of services provided		89,307	67,788
Depreciation of property, plant and equipment@	*7*	4,527	5,165
Depreciation of right-of-use assets	*9*	1,397	1,499
Amortization of operating concessions@	*8*	1,279	1,686
Employee benefits expense (excluding BE Urban Services BVI Directors' remuneration)	*5*		
Salaries and benefits in kind		81,530	52,558
Pension scheme contributions		12,855	7,713
		94,385	60,271

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

5. DIRECTORS' REMUNERATION OF BE URBAN SERVICES BVI

No director of BE Urban Services BVI received any fees or emoluments in respect of their services rendered to the Urban Services Group during the Urban Services Group Pre-acquisition Periods.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Urban Services Group Pre-acquisition Periods.

6. **INCOME TAX EXPENSE**

No provision for Hong Kong profits tax has been made as the Urban Services Group did not generate any assessable profits arising in Hong Kong during the Urban Services Group Pre-acquisition Periods.

The corporate income tax provision in the PRC is calculated at the applicable tax rate of 25% on the estimated assessable profits based on existing legislation, interpretations and practices in respect thereof.

	Year ended December 31, 2016	Period from January 1, 2017 to April 28, 2017
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year/period	4,568	3,525

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

Year ended December 31, 2016

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax	1,268		(11,255)		(9,987)	
Tax at the statutory tax rate	209	16.5	(2,789)	24.8	(2,580)	25.8
Income not subject to tax	(219)	(17.3)	(597)	5.3	(816)	8.2
Expenses not deductible for tax	10	0.8	547	(4.9)	557	(5.6)
Tax losses not recognized	–	–	7,407	(65.8)	7,407	(74.2)
Tax charge at the effective rate	–	–	4,568	(40.6)	4,568	(45.7)

Period from January 1, 2017 to April 28, 2017

	Hong Kong		Mainland China		Total	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%
Profit/(loss) before tax	(606)		5,023		4,417	
Tax at the statutory tax rate	(100)	16.5	1,256	25.0	1,156	26.2
Income not subject to tax	–	–	(1,659)	(33.0)	(1,659)	(37.6)
Expenses not deductible for tax	100	(16.5)	–	–	100	2.3
Tax losses not recognized	–	–	3,928	78.2	3,928	88.9
Tax charge at the effective rate	–	–	3,525	70.2	3,525	79.8

Notes:

(a) Deferred tax assets have not been recognized in respect of unused tax losses of approximately HK$25,384,000 and HK$12,821,000 as at December 31, 2016 and April 28, 2017, respectively, as they have arisen in BE Urban Services BVI and certain subsidiaries that have been loss-making, for some time and it is not probable that taxable profits will be available against which such tax losses can be utilized. These tax losses will expire in one to five years.

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

At April 28, 2017, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Urban Services Group's subsidiaries established in Mainland China. No deferred tax liabilities were recognised as at 28 April 2017 as there were no unremitted earnings in Mainland China.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
December 31, 2016					
At January 1, 2016:					
Cost	–	190	4	–	194
Accumulated depreciation	–	(6)	(1)	–	(7)
Net carrying amount	–	184	3	–	187
Net carrying amount:					
At January 1, 2016	–	184	3	–	187
Additions	7,336	11,362	485	85,629	104,812
Disposals	–	(5)	–	–	(5)
Depreciation provided during the year	(279)	(632)	(32)	(3,584)	(4,527)
Exchange realignment	(298)	(465)	(20)	(3,466)	(4,249)
At December 31, 2016	6,759	10,444	436	78,579	96,218
At December 31, 2016:					
Cost	7,026	11,054	468	82,012	100,560
Accumulated depreciation	(267)	(610)	(32)	(3,433)	(4,342)
Net carrying amount	6,759	10,444	436	78,579	96,218

	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
April 28, 2017					
At December 31, 2016 and January 1, 2017:					
Cost	7,026	11,054	468	82,012	100,560
Accumulated depreciation	(267)	(610)	(32)	(3,433)	(4,342)
Net carrying amount	6,759	10,444	436	78,579	96,218
Net carrying amount:					
At January 1, 2017	6,759	10,444	436	78,579	96,218
Acquisition of a subsidiary *(note 21)*	–	3	–	–	3
Additions	4,330	3,657	132	15,270	23,389
Depreciation provided during the period	(300)	(692)	(34)	(4,139)	(5,165)
Exchange realignment	85	123	6	888	1,102
At April 28, 2017	10,874	13,535	540	90,598	115,547
At April 28, 2017:					
Cost	11,445	14,846	606	98,220	125,117
Accumulated depreciation	(571)	(1,311)	(66)	(7,622)	(9,570)
Net carrying amount	10,874	13,535	540	90,598	115,547

8. OPERATING CONCESSIONS

The Urban Services Group entered into two operating concession arrangements with certain governmental authorities in Mainland China on a Transfer-Operate-Transfer ("**TOT**") basis in respect of its environmental hygiene services. These operating concession arrangements generally involve the Urban Services Group as an operator of the waste treatment plant on behalf of the relevant governmental authorities for periods of 25 years (the "**Operating Concession Periods**"), and the Urban Services Group will be paid for its services over the relevant periods of the operating concession arrangements at prices stipulated through a pricing mechanism. The Urban Services Group is generally entitled to use the fixed assets provided by the governmental authorities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Urban Services Group must provide with the fixed assets. Each of these operating concession arrangements is governed by a contract.

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

Name of company as operator	Name of project	Location	Name of grantor	Type of operating concession arrangement	Operating concession period
Beijing Enterprises (Cangzhou Hejian) Environmental Service Limited 北控(滄州河間)環境服務有限公司	Environmental Sanitation Marketization Outsourcing PPP Project	Hejian City	Hejian City Urban Administrative Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041
Beijing Enterprises (Qinhuangdao) Environmental Service Limited 北控(秦皇島)環境服務有限公司	Urban-Rural Integration Garbage Collection and Transportation Facilities Construction PPP Project	Qinhuangdao, Funing District	Funing District Urban Administrative Integrated Law Enforcement Bureau	TOT on environmental hygiene services	25 years from 2016 to 2041

The English names of the PRC entities and the grantors represent the best effort made by the management of the BE Urban Services BVI to directly translate the Chinese names of these entities as they do not register any official English names.

The considerations paid by the Urban Services Group for operation concession arrangements are accounted for as intangible assets (operating concessions). The following is the summarized information of the Urban Services Group's operating concession arrangements:

	2016	2017
	HK$'000	*HK$'000*
At January 1:		
Cost	–	70,539
Accumulated amortization	–	(1,225)
Net carrying amount	–	69,314
Cost at January 1, net of accumulated amortization	–	69,314
Additions	73,650	–
Amortization provided during the year/period	(1,279)	(1,686)
Exchange realignment	(3,057)	752
At December 31/April 28, net of accumulated amortization	69,314	68,380
At December 31/April 28:		
Cost	70,539	71,309
Accumulated amortization	(1,225)	(2,929)
Net carrying amount	69,314	68,380

9. RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*
As at January 1, 2016	–	–	–
Additions	6,937	28,875	35,812
Depreciation provided during the year	(403)	(994)	(1,397)
Exchange realignment	(276)	(1,178)	(1,454)
As at December 31, 2016 and January 1, 2017	6,258	26,703	32,961
Additions	697	–	697
Depreciation provided during the period	(322)	(1,177)	(1,499)
Exchange realignment	69	288	357
As at April 28, 2017	6,702	25,814	32,516

10. INVENTORIES

Inventories of the Urban services Group are mainly raw materials and consumable goods held for use of the Urban services Group's environmental hygiene services business.

11. TRADE RECEIVABLES

The Urban Services Group's trading terms with its customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Urban Services 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 Urban Services Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Urban Services Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Notes:

(a) An ageing analysis of the trade receivables as at the end of each of the Urban Services Group Pre-acquisition Periods, based on the revenue recognition date and net of provisions, is as follows:

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Within 1 month	24,226	34,319
1 to 2 months	11,313	26,150
2 to 3 months	16,711	20,464
Over 3 months	11,336	13,932
	63,586	94,865

(b) An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Neither past due nor impaired	25,233	41,146
Less than 1 month past due	7,792	21,476
1 to 3 months past due	19,125	20,776
Over 3 months	11,436	11,467
	63,586	94,865

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Urban Services Group. Based on past experience, the Urban Services Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered as fully recoverable.

(c) No provision for impairment of trade receivables in the Urban Services Group during the Urban Services Group Pre-acquisition Periods is made.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Prepaid rental payments	545	1,536
Prepayments for acquisition of property, plant and equipment	2,707	7,109
Advances to suppliers	1,091	730
Prepaid expenses	2,699	6,101
Others	2,392	1,286
	9,434	16,762
Portion classified as current assets	(6,727)	(9,653)
Non-current portion	2,707	7,109

Note: None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. BALANCES WITH FELLOW SUBSIDIARIES AND A NON-CONTROLLING SHAREHOLDER

Particulars of the Urban Services Group's balances with fellow subsidiaries and non-controlling shareholders are as follows:

Urban Services Group

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Due from fellow subsidiaries		
Full Rich Success Limited	–*	–*
Beijing Enterprises Municipal Construction Shuyang Limited 北控市政工程沭陽有限公司	23	113
Beijing Enterprises Huacheng Xinchuang Environmental Technology Limited 北京華城新創環境科技有限公司	–	506
	23	619
Due from a non-controlling shareholder		
Beijing Jinliangdian Municipal Garden Construction Ltd. 北京金亮點市政園林工程有限公司	–	505
Due to the ultimate holding company		
Beijing Enterprises Water Group Limited	132,915	368,182
Due to fellow subsidiaries		
Beijing Enterprises Water (PRC) Investment Limited 北控水務(中國)投資有限公司	52,640	87,769
Nan Ning Da Sha Tian Water Supply Limited 南寧市大沙田供水有限責任公司	–	33
Beijing Enterprises Water Group (Ningxia) Limited 北控水務(寧夏)有限公司	–	29
Guang Xi Beijing Enterprises Water Group Limited 廣西貴港北控水務有限公司	–	7
	52,640	87,838

BE Urban Services BVI

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Due from a subsidiary		
Beijing Enterprises Urban Services (Hong Kong) Limited	132,846	133,014
Due from a fellow subsidiary		
Full Rich Success Limited	–*	–*
	132,846	133,014
Due to the ultimate holding company		
Beijing Enterprises Water Group Limited	132,889	133,063

Note: *Balances with fellow subsidiaries and non-controlling shareholders were unsecured, interest-free and repayable on demand, except for an amount of RMB10,500,000 due to Beijing Enterprises Water (PRC) Investment Limited (北控水務(中國)投資有限公司), a fellow subsidiary, as at April 28, 2017 which bore interest at 4.9% per annum was repayable in 2018.*

* *Represented an amount less than HK$1,000*

14. CASH AND BANK BALANCES

At December 31, 2016 and April 28, 2017, the cash and bank balances of the Urban Services Group denominated in Renminbi ("**RMB**") amounted to approximately HK$56,304,000 and HK$237,423,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Urban Services Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

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

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Urban Services Group Pre-acquisition Periods, based on the invoice date, is as follows:

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Within 1 month	3,503	3,517
1 to 2 months	379	809
2 to 3 months	305	44
Over 3 months	109	2,126
	4,296	6,496

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

16. OTHER PAYABLES AND ACCRUALS

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Accruals	20,264	20,992
Payable for acquisition of property, plant and equipment	64,812	71,567
Payable for acquisition of operating concessions	44,716	–
Lease liabilities *(note (b))*	27,865	27,907
Other payables	78	146
	157,735	120,612
Portion classified as current liabilities	(123,644)	(90,193)
Non-current portion	34,091	30,419

Notes:

(a) Current portion of the other payables are non-interest-bearing and have an average credit term of three months.

(b) The following is the summarised information of the lease liabilities:

	2016	2017
	HK$'000	*HK$'000*
As at January 1	–	27,865
Additions	35,812	697
Payments	(7,293)	(1,614)
Interest expenses	575	654
Exchange realignment	(1,229)	305
As at December 31/April 28	27,865	27,907

17. OTHER TAXES RECOVERABLES/(PAYABLES)

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Other tax recoverables:		
Value-added tax	6,680	7,487
Other taxes payables:		
Value-added tax	246	666
Others	27	134
	273	800

18. ISSUED CAPITAL

Shares

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Authorized:		
50,000 ordinary shares of US$1.00 each	388	388
Issued and fully paid:		
1 ordinary share of US$1.00 each	–*	–*

* *Represented an amount less than HK$1,000*

19. RESERVES

(a) Urban Services Group

The amounts of the Urban Services Group's reserves and the movements therein during the Urban Services Group Pre-acquisition Periods are presented in the consolidated statements of changes in equity.

(b) Merger reserve

The merger reserve represents the reserve arising from the reorganization of the Urban Services Group in the prior years and during the Urban Services Group Pre-acquisition Periods.

(c) PRC reserve funds

The PRC reserve funds are reserves set aside in accordance with the PRC Companies Laws as applicable to the BE Urban Services BVI's subsidiaries. None of the Urban Services Group's PRC reserve funds at the end of each of the Urban Services Group Pre-acquisition Periods were distributable in the form of cash dividends.

20. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Lease liabilities	Due to the ultimate holding company	Due to related companies
	HK$'000	*HK$'000*	*HK$'000*
At January 1, 2016	–	–	2,691
New leases	35,812	–	–
Changes from financing cash flows	(7,293)	133,620	48,863
Interest on lease liabilities	575	–	–
Foreign exchange movement	(1,229)	(705)	1,086
At December 31, 2016 and January 1, 2017	27,865	132,915	52,640
New lease	697	–	–
Changes from financing cash flows	(1,614)	234,721	35,068
Interest expenses	654	–	–
Foreign exchange movement	305	546	130
At April 28, 2017	27,907	368,182	87,838

21. BUSINESS COMBINATION

During the period from January 1, 2017 to April 28, 2017

	BE Cleaning
	HK$'000
Property, plant and equipment	3
Trade receivables	211
Prepayments, deposits and other receivables	1,694
Cash and cash equivalents	1,622
Other payables and accruals	(899)
Taxes payables	(275)
Total identifiable net assets at fair value	2,356
Non-controlling interests	(1,154)
	1,202
Gain on bargain purchase	(73)
Satisfied by cash	1,129

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	BE Cleaning
	HK$'000
Cash consideration	(1,129)
Cash and bank balance acquired	1,622
Outstanding cash consideration at end of period	1,129
Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary	1,622

Had the above business combination taken place at the beginning of the period, the Urban Services Group's profit for the year would have been HK$2,133,000 and the Urban Services Group's revenue would have been HK$107,886,000.

Notes:

(a) In March 2017, the Urban Services Group completed the acquisition of the 51% equity interest in BE Cleaning which engaged in the provision of environmental hygiene services at a cash consideration of HK$1,129,000.

(b) The aggregate fair values and their respective gross contractual amounts of trade receivables and financial assets included in prepayments, deposits and other receivables as at the date of acquisition amounted to HK$211,000 and HK$565,000, respectively. None of these receivables have been impaired and it is expected that the full contractual amount can be recovered.

22. COMMITMENTS

The Urban Services Group had the following capital commitments at the end of the reporting periods:

	As at December 31, 2016	As at April 28, 2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Plant and machinery	35,208	48,609

23. RELATED PARTY TRANSACTIONS

(a) The Urban Services Group had no material transactions with related parties during the Urban Services Group Pre-acquisition Periods.

(b) Outstanding balances with related parties:

Details of the Urban Services Group's balances with the related parties are disclosed in note 13 to the Urban Services Group Pre-acquisition Historical Financial Information.

(c) The compensation of key management personnel of the Urban Services Group for the Urban Services Group Pre-acquisition Periods represented the BE Urban Services BVI Directors' emoluments as disclosed in note 5 to the Urban Services Group Pre-acquisition Historical Financial Information.

24. FINANCIAL INSTRUMENTS BY CATEGORY

As at December 31, 2016 and April 28, 2017, all financial assets and liabilities of the Urban Services Group were loans and receivables and financial liabilities stated at amortized cost, respectively.

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Urban Services Group's financial instruments reasonably approximate to fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals and balances with fellow subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The Urban Services Group did not have any financial assets or liabilities measured at fair value as at December 31, 2016 and April 28, 2017.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Urban Services Group's principal financial instruments comprise cash and cash equivalents. The main purpose of these financial instruments is to raise fund for the Urban Services Group's operations. The Urban Services Group has various other financial assets and liabilities such as trade receivables, trade payables and balances with fellow subsidiaries and the non-controlling shareholder which arise directly from its operations.

The main risks arising from the Urban Services Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

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

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

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

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

	Increase/ (decrease) in loss before tax	**Increase/ (decrease) in equity**
	HK$'000	*HK$'000*
For the year ended December 31, 2016		
If HK$ strengthens against RMB by 5%	563	(5,874)
If HK$ weakens against RMB by 5%	(563)	5,874

	Increase/ (decrease) in profit before tax	**Increase/ (decrease) in equity**
	HK$'000	*HK$'000*
For the period ended April 28, 2017		
If HK$ strengthens against RMB by 5%	251	(17,847)
If HK$ weakens against RMB by 5%	(251)	17,847

Credit risk

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

The credit risk of the Urban Services Group's other financial assets, which comprise cash and cash equivalents amounts, due from fellow subsidiaries, an amount due from a non-controlling shareholder and other receivables, arises from default of the counterparty, with a maximum exposure equal to carrying amounts of these instruments.

Since the Urban Services Group trades only with recognized and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Urban Services Group as the customer bases of the Urban Services Group's trade receivables are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Urban Services Group's exposure to credit risk arising from trade receivables are disclosed in note 11 to the Urban Services Group Pre-acquisition Historical Financial Information.

Liquidity risk

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

The table below summaries the maturity profile of the Urban Services Group's financial liabilities as at the end of each of the Urban Services Group Pre-acquisition Periods, based on the contractual undiscounted payments, is as follows:

At December 31, 2016

	Within 1 year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	4,296	–	–	–	4,296
Other payables and accruals	123,644	10,838	17,599	17,673	169,754
Due to fellow subsidiaries	52,640	–	–	–	52,640
Due to the ultimate holding company	132,915	–	–	–	132,915
	313,495	10,838	17,599	17,673	359,605

At April 28, 2017

	Within 1 year or on demand	In the second year	In the third to fifth years, inclusive	Over five years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	6,496	–	–	–	6,496
Other payables and accruals	90,346	5,289	15,389	9,741	120,765
Due to fellow subsidiaries	87,838	–	–	–	87,838
Due to the ultimate holding company	368,182	–	–	–	368,182
	552,862	5,289	15,389	9,741	583,281

Capital management

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

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

The information set forth in this appendix does not form part of the Accountants' Report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set out in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent which has been prepared for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2019 and it may not give a true picture of the Group's financial position as at that date because of its hypothetical nature. It is based on the audited consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2019 as shown in the Accountants' Report of the Group, the text of which is set forth in Appendix I to this Prospectus, and is adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2019	Estimated net proceeds from Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent per Share
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(note 1)	*(note 2)*		*(notes 3 and 4)*
Based on the low end of the Offer Price Range of HK$0.69 per Share	1,321,852	540,715	1,862,567	0.52
Based on the high end of the Offer Price Range of HK$0.80 per Share	1,321,852	636,242	1,958,094	0.54

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the parent as at June 30, 2019 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the parent as at June 30, 2019 of HK$1,660,973,000 with an adjustment for goodwill and other intangible assets as at June 30, 2019 of HK$336,298,000 and HK$2,823,000, respectively.

(2) Estimated net proceeds from the Global Offering are based on 900,000,000 Shares to be issued under the Global Offering and the Offer Price of HK$0.69 and HK$0.80 per Offer Share, being the low end and the high end of the Offer Price Range, after deducting underwriting commissions and other estimated expenses expected to be incurred by the Group in connection with the Global Offering and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the parent per Share is calculated based on 3,600,000,000 Shares expected to be in issue assuming that the Global Offering had been completed on June 30, 2019, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to the owners of the parent as at June 30, 2019 to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

EY 安永

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the Directors of Beijing Enterprises Urban Resources Group Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Beijing Enterprises Urban Resources Group Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at June 30, 2019 and related notes as set out on pages II-1 and II-2 of the Prospectus dated December 30, 2019 issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Section A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at June 30, 2019 as if the transaction had taken place at June 30, 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended June 30, 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

December 30, 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 26, 2019 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 19, 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so canceled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognize any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favor of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable or that based on legal opinions provided by legal advisers, the board considers it necessary or expedient not to offer the shares to such members on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all traveling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year other than the year of the Company's adoption of the Articles within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as canceled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 3 April 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorized by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this Prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on March 26, 2019 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 24, 2019. We have established a principal place of business at Unit 938, 9th Floor, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Mr. Fung Che Wai, Anthony who resides at Flat G, 11th Floor, Hong Yan Court, Healthy Street Central, North Point, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands company law and its constitution comprising the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Cayman Islands company law is set out in Appendix III to this Prospectus.

2. Changes in the share capital of our Company

Our authorized share capital as of the date of our incorporation and as of the Latest Practicable Date was HK$3,000,000,000 divided into 30,000,000,000 shares of HK$0.10 each.

On March 26, 2019, a total of 13,500,000,000 Shares were allotted and issued as nil paid at par to BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua, respectively.

On the same date, our Company acquired all the issued shares of Mind Light from its respective shareholders. In consideration of the acquisition, the 13,500,000,000 Shares held by each of BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua were all credited as fully paid on March 26, 2019.

Pursuant to a shareholders' resolution dated April 15, 2019 and a directors' resolution dated April 15, 2019, a total of 10,800,000,000 Shares were surrendered by the current shareholders, which were subsequently canceled. Upon completion of the surrender of Shares, the issued share capital of our Company became 2,700,000,000 Shares of HK$0.10 each and the shareholding percentages by each of the current Shareholders remained the same.

Immediately following the completion of the Global Offering but not taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be HK$360,000,000 divided into 3,600,000,000 Shares of HK$0.10 each, all fully paid or credited as fully paid and 26,400,000,000 Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "3. Resolutions in writing of the Shareholders of our Company passed on December 19, 2019" below in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of the Shareholders of our Company passed on December 19, 2019

(a) Pursuant to written resolutions of the Shareholders of our Company passed on December 19, 2019:

(i) we approved and adopted the Memorandum of Association with immediate effect;

(ii) we approved and conditionally adopted the Articles of Association which will become effective from the Listing Date;

(iii) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Global Offering and Shares to be issued as mentioned in this Prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option); (ii) the entering into of the agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:

(1) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering; and

(2) the Over-allotment Option was approved and our Directors were authorized to allot and issue new Shares pursuant to the exercise of the Over-allotment Option.

(iv) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the share option scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

(v) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of issued Shares immediately following the completion of the Global Offering (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (v) above.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For information relating to the Reorganization, please refer to the section headed "History, Reorganization and corporate structure" in this Prospectus.

5. Changes in registered capital of subsidiaries

Our subsidiaries are set out in the Accountants' Report in Appendix IA to this Prospectus. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganization and Corporate Structure", our Company has no other subsidiaries.

The following alterations in the registered capital of our subsidiaries took place within the two years immediately preceding the date of this Prospectus.

Mind Light

On April 25, 2018, the authorized share capital of Mind Light was increased from 90,000 shares of HK$1.00 each to 135,000 shares of HK$1.00 each.

BE Urban Resources PRC

On January 22, 2018, the registered capital of BE Urban Resources PRC was increased from RMB800,000,000 to RMB1,500,000,000.

Beijing BE Environment

On January 9, 2018, the registered capital of Beijing BE Environment was increased from RMB100,000,000 to RMB300,000,000.

On December 19, 2018, the registered capital of Beijing BE Environment was further increased from RMB300,000,000 to RMB500,000,000.

Ningxia Ruiyuan

On February 13, 2018, the registered capital of Ningxia Ruiyuan was increased from RMB60,000,000 to RMB120,000,000.

Weifang Beijing Enterprises Environmental Technic Limited

On September 3, 2018, the registered capital of Weifang Beijing Enterprises Environmental Technic Limited was increased from RMB30,000,000 to RMB31,400,000.

Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure", there are no other changes to the registered capital of our subsidiaries within the two years immediately preceding the date of this Prospectus.

6. Repurchases of our Shares

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note:

Pursuant to the written resolutions passed by the Shareholders of our Company on December 19, 2019, a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if so authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this Prospectus in the event that the Buyback Mandate is exercised in full.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of 3,600,000,000 Shares in issue immediately after the Listing (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 360,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by our Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Global Offering (but not taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 360,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this Prospectus that are or may be material:

(a) an equity transfer agreement dated January 30, 2018 entered into between Yuan Tengfei (遠騰飛), Ma Qiuyuan (禡秋元), Yuan Mingfei (遠明飛), Beijing BE Environment and Ningxia Ruiyuan and a supplemental agreement dated March 5, 2018 entered into between Yuan Xueli (遠學力), Ningxia Ruiyuan Petrochemical Co., Ltd. (寧夏睿源石油化工有限公司) ("**Ruiyuan Petrochemical**"), Beijing BE Environment, Ningxia Ruiyuan, Yuan Tengfei (遠騰飛), Ma Qiuyuan (禡秋元) and Yuan Mingfei (遠明飛), pursuant to which Yuan Xueli (遠學力) and Ruiyuan Petrochemical transferred 61.0% equity interests in Ningxia Ruiyuan to Beijing BE Environment at a consideration of RMB200.0 million;

(b) a subscription agreement dated March 29, 2018 entered into between Mind Light and BEWG, pursuant to which BEWG conditionally agreed to subscribe for 15,750 shares of Mind Light at a consideration of HK$157,500,000;

(c) a subscription agreement dated March 29, 2018 entered into between Mind Light and Maolin, pursuant to which Maolin conditionally agreed to subscribe for 816 shares of Mind Light at a consideration of HK$8,160,000;

(d) a subscription agreement dated March 29, 2018 entered into between Mind Light and Star Colour, pursuant to which Star Colour conditionally agreed to subscribe for 1,747 shares of Mind Light at a consideration of HK$17,470,000;

(e) a subscription agreement dated March 29, 2018 entered into between Mind Light and Zhihua, pursuant to which Zhihua conditionally agreed to subscribe for 1,632 shares of Mind Light at a consideration of HK$16,320,000;

(f) a subscription agreement dated March 29, 2018 entered into between Mind Light and AID, pursuant to which AID conditionally agreed to subscribe for 14,850 shares of Mind Light at a consideration of HK$148,500,000;

(g) an equity transfer agreement dated June 30, 2018 entered into between BE Urban Resources PRC as the transferor and BE Zhongkecheng Environmental as the transferee in respect of the transfer of 62.0% equity interest in Gansu Huayi by BE Urban Resources PRC to BE Zhongkecheng Environmental at a consideration of RMB234,369,315.07;

(h) a subscription agreement dated August 3, 2018 entered into between Mind Light and Glowing Trend, pursuant to which Glowing Trend conditionally agreed to subscribe for 10,205 shares of Mind Light at a consideration of HK$102,050,000;

(i) an equity transfer agreement dated November 30, 2018 entered into among BE Water Investment, BE Urban Services PRC and Yunnan BE Environmental Services Co., Ltd. (雲南北控環境服務有限公司) and a supplemental agreement dated March 18, 2019 entered into between BE Water Investment as the transferor and BE Urban Services PRC as the transferee in respect of the transfer of 70.0% equity interest in Yunnan BE Environmental Services Co., Ltd. by BE Water Investment to BE Urban Services PRC at a consideration of RMB21,857,621.92;

(j) an investment agreement dated December 20, 2018 entered into among Beijing BE Environment, Heze Mudan Chuanghui, Heze Mudan Xinyue and Jiaxing Technology, pursuant to which (i) Heze Mudan Yinyue agreed to transfer its 30.0% equity interest in Jiaxing Technology to Beijing BE Environment at a consideration of RMB12.0 million; and (ii) Beijing BE Environment agreed to make a capital contribution of RMB72.0 million in Jiaxing Technology, RMB16,240,000 of which would be contributed to its registered capital and the remaining RMB55,760,000 would be accounted as capital reserve ;

(k) an equity transfer agreement dated December 25, 2018 entered into among Li Zongxuan (李宗軒), Sun Huifang (孫會芳), Beijing BE Environment and Beijing Yingtaike in respect of the transfer of 67.0% equity interest in Beijing Yingtaike by Li Zongxuan and Sun Huifang to Beijing BE Environment at a nominal consideration of RMB1;

(l) an investment agreement dated December 29, 2018 entered into among Liu Bin (劉斌), Gong Wenwu (龔文武), Yang Zhengqun (楊正群), Xiangyang Yuanrui, Beijing BE Environment and Guizhou Cenxiang, pursuant to which (i) Beijing BE Environment agreed to acquire 47.5% equity interest in Guizhou Cenxiang from Liu Bin and Gong Wenwu at a consideration of RMB24.7 million; and (ii) Beijing BE Environment agreed to make a capital contribution of RMB52.3 million in Guizhou Cenxiang, approximately RMB6,666,700 of which would be contributed to its registered capital and the remaining RMB45,633,300 would be accounted as capital reserve of Guizhou Cenxiang;

(m) a share swap agreement dated March 26, 2019 entered into between our Company and the respective shareholders of Mind Light pursuant to which our Company acquired the entire issued shares of Mind Light from the respective shareholders of Mind Light at a consideration of HK$1,350,000,000 and in consideration of the acquisition, the Shares held by each of BEWG, Shanghai Ziyue, Maolin, Star Colour, HNW Investment Fund (for and on behalf of PF Fund Segregated Portfolio), Glowing Trend, Genius Link and Zhihua were credited as fully paid on March 26, 2019;

(n) an equity transfer agreement dated May 13, 2019 entered into between Beijing BE Environment as the transferor and Heze Mudan Xinyue as the transferee in respect of the transfer of 70% equity interest in Jiaxing Technology by Beijing BE Environment to Heze Mudan Xinyue at a nominal consideration of RMB1;

(o) an equity transfer agreement dated May 16, 2019 entered into between Beijing BE Environment as the transferor and Yang Zhengqun (楊正群) as the transferee in respect of the transfer of 55% equity interest in Guizhou Cenxiang by Beijing BE Environment to Yang Zhengqun at a nominal consideration of RMB1;

(p) an equity transfer agreement dated June 30, 2019 entered into between Beijing BE Environment as the transferor and Li Zongxuan (李宗軒) as the transferee in respect of the transfer of 67% equity interest in Beijing Yingtaike by Beijing BE Environment to Li Zongxuan at a nominal consideration of RMB1;

(q) an agreement dated August 30, 2019 entered into among BE Urban Services PRC, Li Peng (李鵬) and Chongqing Binnan, pursuant to which BE Urban Services PRC would exit its investment in Chongqing Binnan and receive the amount of RMB75,270,300;

(r) an equity transfer agreement dated September 12, 2019 entered into between BE Urban Services PRC as the transferor and Zhu Chaode (朱超德) as the transferee in respect of the transfer of 21,030,000 shares of Chongqing Binnan by BE Urban Services PRC to Zhu Chaode at a consideration of RMB28,869,900;

(s) an equity transfer agreement dated September 12, 2019 entered into between BE Urban Services PRC as the transferor and Chongqing Jinhouyuan Enterprise Management Consulting Partnership L.P. (重慶進厚圓企業管理諮詢合夥企業(有限合夥)) as the transferee in respect of the transfer of 10,400,000 shares of Chongqing Binnan by BE Urban Services PRC to Chongqing Jinhouyuan Enterprise Management Consulting Partnership L.P. at a consideration of RMB14,277,100;

(t) an equity transfer agreement dated September 12, 2019 entered into between BE Urban Services PRC as the transferor and Gan Zehao (甘澤豪) as the transferee in respect of the transfer of 23,400,000 shares of Chongqing Binnan by BE Urban Services PRC to Gan Zehao at a consideration of RMB32,123,300;

(u) a cornerstone investment agreement dated December 22, 2019 entered into among our Company, ZGC International Holding Limited (中關村國際控股有限公司) ("**ZGC International**"), Haitong International Capital Limited, Haitong International Securities Company Limited and DBS Asia Capital Limited, pursuant to which ZGC International conditionally agreed to subscribe for, and our Company conditionally agreed to issue and allot to ZGC International, such number of Shares (rounded down to the nearest whole board lot) which may be purchased with an aggregate amount of US$10 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price; and

(v) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, are material to our business:

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
	304347865	37, 39, 40	Mind Light	Hong Kong	November 27, 2017	November 26, 2027
	304347810	37, 39, 40	Mind Light	Hong Kong	November 27, 2017	November 26, 2027
BEUR	304347856	37, 39, 40	Mind Light	Hong Kong	November 27, 2017	November 26, 2027
	20455595A	1, 2, 4, 6, 7, 11, 37, 39, 40, 42, 44	BE Urban Services PRC	PRC	September 28, 2017	September 27, 2027
BEUR	28415182	44	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415183	42	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415184	40	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415185	39	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415186	37	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028

Trademark	Registration Number	Class	Name of Registered Proprietor	Place of Registration	Date of Registration	Expiry Date
BEUR	28415187	21	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415188	16	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415189	12	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415190	11	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415191	7	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415192	5	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028
BEUR	28415193	4	BE Urban Resources PRC	PRC	December 7, 2018	December 6, 2028

(b) Patents

As of the Latest Practicable Date, our Group was the registered proprietor of the following patents which, in the opinion of our Directors, are material to our business:

Title	Patent Number	Type	Place of Registration	Expiry Date
(Tobacco extinguishing device) 煙頭熄滅裝置	ZL201721910128.7	Utility Model	PRC	December 29, 2027
(Retractable folding portable water booster) 可伸縮折疊式便携推水器	ZL201721611792.1	Utility Model	PRC	November 27, 2027

As of the Latest Practicable Date, our Group had applied for the following patents:

Title	Application Number	Type	Place of Application	Date of Application
(Pretreatment method for co-processing fly ash in cement kiln) 一種水泥窯協同處置飛灰的預處理方法	201910147691.0	Invention	PRC	February 27, 2019
(Process method for separating and purifying ethanol in residue of coal-made oil essence museum) 一種分離提純煤製油精餾殘渣中乙醇的工藝方法	201910147698.2	Invention	PRC	February 27, 2019
(Device for recycling waste mixed alcohol) 一種資源化利用廢混合醇的裝置	201920253603.0	Utility Model	PRC	February 27, 2019
(Tobacco extinguishing device) 煙頭熄滅裝置	201711493057.x	Invention	PRC	December 30, 2017
(High-efficiency oil moisture phase device) 一種高效油水分相裝置	201811471224.5	Invention	PRC	December 4, 2018
(Mixed alcohol separation system) 一種混合醇分離系統	201811470966.6	Invention	PRC	December 4, 2018
(Waste methanol production recovery device and method) 一種廢甲醇生產回收裝置及方法	201811415849.x	Invention	PRC	November 26, 2018
(Ultra-clean emission system and method for hazardous waste incineration flue gas) 一種危險廢物焚燒煙氣超淨排放系統及方法	201910723277.x	Invention	PRC	August 6, 2019
(Purification device for clean exhaust of hazardous waste incineration exhaust gas) 一種用於危廢焚燒尾氣清潔排放的淨化裝置	201921269896.8	Invention	PRC	August 6, 2019

(c) Copyrights

As of the Latest Practicable Date, our Group was the registered proprietor of the following copyrights which, in the opinion of our Directors, are material to our business:

Title	Registration Certificate Number	Place of Registration	Registration Date
(Hazardous waste disposal center operation management central control system V1.0) 危廢處置中心運營管理中控系統V1.0	2019SR0270804	PRC	March 21, 2019
(Remote monitoring system for hazardous waste disposal center based on group management V1.0) 基於集團化管理的危廢處置中心遠程監控系統 V1.0	2019SR0264700	PRC	March 20, 2019
(Hazardous waste disposal center equipment management system V1.0) 危廢處置中心設備管理系統V1.0	2019SR0264714	PRC	March 20, 2019
(Hazardous waste disposal center safety management system V1.0) 危廢處置中心安全管理系統V1.0	2019SR0264733	PRC	March 20, 2019
(Hazardous waste disposal center warehouse management system V1.0) 危廢處置中心庫管系統V1.0	2019SR0264217	PRC	March 20, 2019
(Hazardous waste disposal center intelligent terminal supervision system V1.0) 危廢處置中心智能端監管系統V1.0	2019SR0264723	PRC	March 20, 2019
(Beijing Enterprises Scavenger Life Waste Intelligent Sorting System V1.0) 北控清道夫生活垃圾智能分選系統V1.0	2018SR299719	PRC	May 3, 2018
(Beijing Enterprises Scavenger Sanitation Sweeping Vehicle Monitoring Management System V1.0) 北控清道夫環衛清掃車輛監控管理系統V1.0	2018SR299731	PRC	May 3, 2018
(Beijing Enterprises Scavenger Sanitation Sweeping and Cleaning Supervision System V1.0) 北控清道夫環衛清掃保潔監管系統V1.0	2018SR298967	PRC	May 3, 2018

Title	Registration Certificate Number	Place of Registration	Registration Date
(Beijing Enterprises Scavenger Sanitation Sweeping Vehicle Dispatching Management System V1.0) 北控清道夫環衛清掃車輛調度管理系統V1.0	2018SR295197	PRC	May 2, 2018
(Propanol Tower DCS System V1.0) 丙醇塔DCS系統V1.0	2018SR885421	PRC	November 6, 2018
(Rough Tower DCS System V1.0) 粗分塔DCS系統V1.0	2018SR886774	PRC	November 6, 2018
(Butanol Tower DCS System V1.0) 丁醇塔DCS系統V1.0	2018SR885426	PRC	November 6, 2018
(Utility Engineering DCS System V1.0) 公用工程DCS系統V1.0	2018SR885415	PRC	November 6, 2018
(Azeotrope DCS system V1.0) 共沸塔DCS系統V1.0	2018SR885808	PRC	November 6, 2018
(Stripper DCS System V1.0) 汽提塔DCS系統V1.0	2018SR885937	PRC	November 6, 2018
(Dehydration Tower DCS System V1.0) 脱水塔DCS系統V1.0	2018SR885411	PRC	November 6, 2018
(Ethanol Tower DCS System V1.0) 乙醇塔DCS系統V1.0	2018SR885101	PRC	November 5, 2018

(d) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain names which, in the opinion of our Directors, are material to our business:

Domain name	Name of Registered Proprietor	Place of Registration	Expiry Date
beur.net.cn	Beijing BE Environment	PRC	August 9, 2020
beurg.net.cn	BE Urban Resources PRC	PRC	January 19, 2022

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

(i) Interest in our Company

Name of Director	Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding
Mr. Zhou Min (周敏)	Interest of a controlled corporation[2]	104,820,000 (L)	2.91%
Mr. Li Haifeng (李海楓)	Interest of a controlled corporation[3]	48,960,000 (L)	1.36%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Such Shares are held by Star Colour, which is beneficially and wholly-owned by Mr. Zhou Min, our chairman and non-executive Director. By virtue of the SFO, Mr. Zhou Min is deemed to be interested in the Shares held by Star Colour.

(3) Such Shares are held by Maolin, which is beneficially and wholly-owned by Mr. Li Haifeng, our non-executive Director. By virtue of the SFO, Mr. Li Haifeng is deemed to be interested in the Shares held by Maolin.

(ii) Interest in associated corporations of our Company

Name	Name of associated corporation	Nature of Interest	Interest in Shares	Approximate percentage of shareholding
Mr. Zhou Min (周敏)	Star Colour	Beneficial ownership	10,000	100%
Mr. Li Haifeng (李海楓)	Maolin	Beneficial ownership	15,131	100%

(b) Particulars of service agreements and letters of appointment

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(c) Directors' remuneration

Each of our executive Directors and non-executive Directors is entitled to a remuneration and shall be paid on the basis of a twelve-month year. The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) paid to our Directors for the three years ended December 31, 2018 and the six months ended June 30, 2019 was nil, nil, nil and HK$0.5 million, respectively. For details, please refer to note 8 of the accountant's report set out in Appendix IA to this Prospectus.

Each of our independent non-executive Directors have been appointed for a term of three years. We intend to pay a total of HK$390,000 as director's fee per annum to our independent non-executive Directors. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonuses and pension scheme contributions) of our Directors for the year ending December 31, 2019 is estimated to be no more than HK$6.0 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Name of Interest	Number of Shares[(1)]	Approximate percentage of shareholding
BEWG	Beneficial ownership	945,000,000 (L)	26.25%
Beijing Enterprises Environmental Construction Limited[(2)]	Interest of a controlled corporation	945,000,000 (L)	26.25%
BEHL[(3)]	Interest of a controlled corporation	945,000,000 (L)	26.25%
Beijing Enterprises Group (BVI) Company Limited[(4)]	Interest of a controlled corporation	945,000,000 (L)	26.25%
Beijing Enterprises Group Company Limited[(5)]	Interest of a controlled corporation	945,000,000 (L)	26.25%
Genius Link	Beneficial ownership	891,000,000 (L)	24.75%
Genius Link Utilities GP Limited[(6)]	Interest of a controlled corporation	891,000,000 (L)	24.75%
Brilliant Champ Investments Limited[(7)]	Interest of a controlled corporation	891,000,000 (L)	24.75%
Mr. Chang Tat Joel[(8)]	Interest of a controlled corporation	891,000,000 (L)	24.75%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) BEWG is owned as to approximately 41.17% by Beijing Enterprises Environmental Construction Limited. By virtue of the SFO, Beijing Enterprises Environmental Construction Limited is deemed to be interested in the Shares held by BEWG.

(3) Beijing Enterprises Environmental Construction Limited is beneficially and wholly-owned by BEHL. By virtue of the SFO, BEHL is deemed to be interested in the Shares held by Beijing Enterprises Environmental Construction Limited.

(4) BEHL is directly owned as to approximately 41.06% by Beijing Enterprises Group (BVI) Company Limited. By virtue of the SFO, Beijing Enterprises Group (BVI) Company Limited is deemed to be interested in the Shares held by BEHL.

(5) Beijing Enterprises Group (BVI) Company Limited is beneficially and wholly-owned by Beijing Enterprises Group Company Limited. By virtue of the SFO, Beijing Enterprises Group Company Limited is deemed to be interested in the Shares held by Beijing Enterprises Group (BVI) Company Limited.

(6) Genius Link is managed by Genius Link Utilities GP Limited. By virtue of the SFO, Genius Link Utilities GP Limited is deemed to be interested in the Shares held by Genius Link.

(7) Genius Link Utilities GP Limited is beneficially and wholly-owned by Brilliant Champ Investments Limited. By virtue of the SFO, Brilliant Champ Investments Limited is deemed to be interested in the Shares held by Genius Link Utilities GP Limited.

(8) Brilliant Champ Investments Limited is beneficially and wholly-owned by Mr. Chang Tat Joel. By virtue of the SFO, Mr. Chang Tat Joel is deemed to be interested in the Shares held by Brilliant Champ Investments Limited.

3. Agency fees or commissions received

No commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

4. Disclaimers

(a) save as disclosed in the paragraph headed "— C. Further information about Directors and substantial shareholders — 1. Directors" in this section, none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;

(b) none of our Directors or experts referred to under the paragraph headed "— D. Other information — 6. Qualification of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(d) save as disclosed in the paragraph headed "— C. Further information about Directors and substantial shareholders — 1. Directors" in this section, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) save as disclosed in the paragraph headed "— C. Further information about Directors and substantial shareholders — 1. Directors" in this section, taking no account of Shares which may be taken up under the Global Offering, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(f) none of the experts referred to under the paragraph headed "— D. Other information — 6. Qualification of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Litigation

Save as disclosed in "Business — Legal Proceedings and Compliance", we were not, as of the Latest Practicable Date, aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors' fees are approximately HK$11,957,000 and are payable by our Company.

3. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately US$6,000.

4. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this Prospectus.

5. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares except we hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualifications
Haitong International Capital Limited	Licensed under the SFO and permitted to carry out Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
DBS Asia Capital Limited	Licensed under the SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Ernst & Young	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan	Industry consultant
JunHe LLP	PRC legal advisor
Beijing North Asia Asset Assessment Firm (Special General Partnership)	Independent valuer

7. Consents of experts

Each of the experts named in paragraph 6 of this Appendix has given and has not withdrawn its respective written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

8. Interests of experts in our Company

None of the persons named in paragraph 6 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

10. Miscellaneous

(a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this Prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2019 (being the date which the latest audited consolidated financial information of our Group were made up);

(d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(e) the principal register of members of our Company will be maintained in the Cayman Islands by Conyers Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(f) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law; and

(h) save as disclosed in this Prospectus, our Company has no outstanding convertible debt securities or debentures.

11. Bilingual Prospectus

The English and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 7. Consents of experts" in Appendix IV to this Prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — B. Information about our business — 1. Summary of material contracts" in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Sidley Austin at Level 39, Two International Finance Centre, 8 Finance Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum and Articles of Association;

(b) the Cayman Islands Companies Law;

(c) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix IA to this Prospectus;

(d) the Accountants' Report of Qingdao BE and its subsidiaries as of and for the period ended December 23, 2016 as set out in Appendix IB to this Prospectus;

(e) the Accountants' Report of BE Urban Services BVI and its subsidiaries as of and for the year ended December 31, 2016 and as of and for the period ended April 28, 2017 as set out in Appendix IC to this Prospectus;

(f) the assurance report from Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Section B of Appendix II to this Prospectus;

(g) the audited consolidated financial statements of our Group for the three years ended December 31, 2018 and the six months ended June 30, 2019;

(h) the legal opinions issued by JunHe LLP, our PRC Legal Advisors in respect of our Group's business operations and property interests in the PRC;

(i) the letter of advice from Conyers Dill & Pearman, our Cayman legal advisors, summarizing certain aspects of Cayman Islands company law referred to in "Summary of the constitution of our Company and Cayman Islands Company Law" in Appendix III to this Prospectus;

(j) the F&S Report;

(k) the reports from Beijing North Asia Asset Assessment Firm (Special General Partnership) in respect of (i) the proposed operating and management fee under the Framework O&M Agreement; and (ii) the valuation of the management accounts of Gansu Huayi as of April 30, 2018;

(l) the material contracts referred to in the section headed "Statutory and General Information — B. Information about our business — 1. Summary of material contracts" in Appendix IV to this Prospectus;

(m) the service agreements and letters of appointment with each of our Directors referred to in the section headed "Statutory and General Information — C. Further information about Directors and substantial shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment" in Appendix IV to this Prospectus; and

(n) the written consents referred to in the section headed "Statutory and General Information — D. Other information — 7. Consents of experts" in Appendix IV to this Prospectus.

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