



北控城市資源集團有限公司

BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED

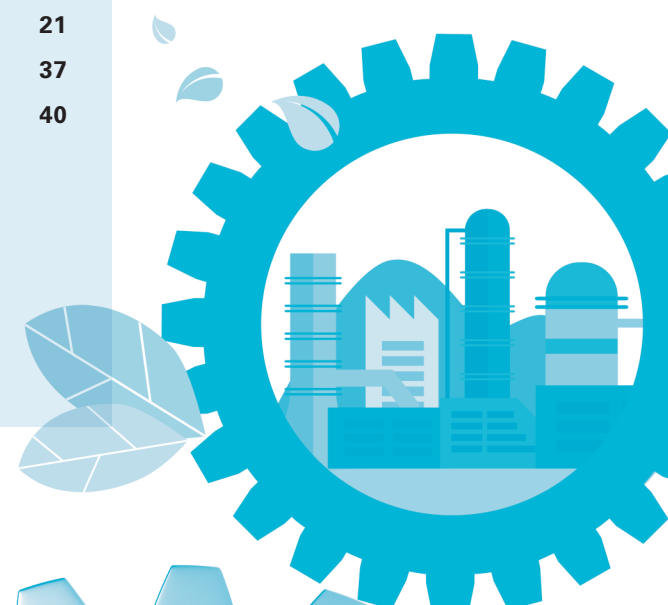
(Incorporated in the Cayman Islands with limited liability)

Stock code : 3718



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhao Kexi (*Chief Executive Officer*)

Mr. Zhang Hailin

Mr. Huang Zhiwan

Non-Executive Directors

Mr. Zhou Min (*Chairman*)

Mr. Li Li

Mr. Li Haifeng

Independent Non-Executive Directors

Mr. Orr Ka Yeung, Kevin

Mr. Wu Tak Kong

Dr. Du Huanzheng

AUDIT COMMITTEE

Mr. Wu Tak Kong (*Chairman*)

Mr. Orr Ka Yeung, Kevin

Dr. Du Huanzheng

NOMINATION COMMITTEE

Mr. Zhou Min (*Chairman*)

Mr. Orr Ka Yeung, Kevin

Mr. Wu Tak Kong

REMUNERATION COMMITTEE

Dr. Du Huanzheng (*Chairman*)

Mr. Zhao Kexi

Mr. Wu Tak Kong

COMPANY SECRETARY

Mr. Fung Che Wai, Anthony

STOCK CODE

3718

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AUDITOR

Ernst & Young

COMPLIANCE ADVISER

Somerley Capital Limited

PRINCIPAL BANKERS

In Hong Kong:

DBS Bank (Hong Kong) Limited

CMB Wing Lung Bank

China Minsheng Banking Corp., Ltd.

In Mainland China:

Bank of Beijing

Hua Xia Bank

Bank of Jiangsu

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Beijing Enterprises Urban Resources Group Limited (the "Company"), I am pleased to present the interim report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2020 (the "Reporting Period").

In the first half of 2020, the Group adhered ardently to its two principal businesses, namely environmental hygiene services and hazardous waste treatment services, focused on the goal of becoming a "Leading Integrated Service Provider of Urban Environment and Resources Utilization" while grasping epidemic control on one hand, the Group firmly secured production and operation, organized various actions to advance corporate regulatory governance, refined management standard and secured high-quality projects, thus ensuring a favourable business trend.

ACTIONS ON EPIDEMIC CONTROL AND SAFETY MANAGEMENT

In the first half of 2020, the novel coronavirus epidemic broke out and spread out globally. In view of such unprecedented epidemic, the Group consolidated our vision of "Life comes first", and responded efficiently and reacted swiftly against the situation, placing epidemic control at top priority.

To tackle the epidemic effectively, the Group followed the principle of "Aiding Each Other with Cohesiveness, Preventing and Controlling Epidemic Scientifically, Implementing Strategies with Precision", maintained a stern stance in the defence and control of the epidemic while conscientiously deployed various epidemic control works, thus safeguarding the life and health and safety of all our employees. In respect of businesses, the Group proactively completed all actions associated with the environment and hygiene services for all of its responsible cities and villages with higher requirements, higher standards and better quality, thereby vigorously reinforcing the anti-epidemic work in all the servicing regions. The Group's five medical and hazardous waste treatment enterprises launched epidemic donations and assisted in the safe delivery and packaging of supplies such as sanitizers and so forth. The Group's dedicated medical waste disposal company connected with 15 waste sites involved in the epidemic and made every effort to engage in the anti-epidemic work. On the other hand, the Group progressively formulated a series of documents and proposals on epidemic prevention and control while expanding the promotional education continuously in order to enhance employees' awareness of self-defence and establish a joint prevention and control mechanism, thereby building a strong defence line against the epidemic. In order to implement the supply of prevention and control materials, the Group purchased and reserved epidemic prevention materials through multiple channels to effectively guarantee the prevention needs of frontline workers. By strictly requiring each unit to set up inspection points and service stations to strengthen the epidemic inspection, strictly prohibiting staff gathering and imposing stringent control on employee induction management, the Group could prevent and control the epidemic effectively and there were "Zero Disease Cases" among the Group's staff members during the Reporting Period.

During the Reporting Period, the Group further improved the safety and environmental system (HSE), strengthened the safety and environmental management and control measures as well as improving the Letter of Target Responsibility for the HSE. Moreover, assistance inspections were carried out to strengthen the guidance on dedicated key safety and environment work as well as reinforcing the investigation and rectification of hidden hazards. The Group organized the safety production month campaign on the theme of "Eliminate Accidents and Hidden Hazards. Consolidate the Safety Line of Defence", launching various promotional activities to enhance the safety awareness of all employees, thereby actively providing safety and environment protection for the high-quality development of the Group's businesses.

During the Reporting Period, the Group continued to operate strictly in compliance with laws and regulations, improving the corporate governance structure and standardizing the management functions of the Board, thereby comprehensively enhancing the capabilities of internal risk control while securing a strong brand image. With the implementation of review on investment proposals and anti-fraud inspections, the safety management, operation risk prevention and control of the Company were facilitated, ensuring safety and protection to provide a clean environment for good living.

CHAIRMAN'S STATEMENT (CONTINUED)

BUSINESS REVIEW

The Group accomplished the epidemic control properly and at the same time acted in accordance with the overall planning, making every effort to ensure the listing and stable business operations.

In terms of the environmental hygiene business, we emphasized the building of a technical system to improve the service quality. To promote the establishment of the intelligent environmental hygiene system, the Group has launched 20 intelligent environmental hygiene projects. Through the practice and application of those projects, a standardized methodology for data collection and analysis was confirmed and a database was established accordingly. With our continued efforts to strengthen the promotion of environmental hygiene projects in large and medium-sized cities, as at 30 June 2020, we had a total of 107 environmental hygiene projects, accounting for a total contracted area of approximately 177,500,000 sq.m..

In the aspect of hazardous waste treatment business, since the resumption of work and production, we have made great efforts in management, organized precise production scientifically, thereby effectively releasing the productivity and steadily increasing the business volume. Moreover, we continued to promote the construction of the Enterprise Resources Planning (ERP) system, progressively advancing the effective integration of data management to provide support for scientific decision making. As at 30 June 2020, there were a total of 7 hazardous waste treatment projects in operation, 1 hazardous waste treatment project in trial operation, 4 projects under construction and 3 projects planned to be constructed in future. The Group's projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 247,342 tons per annum. The projects engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum.

For the six months ended 30 June 2020, the Group mainly achieved the following results:

- The Group recorded a revenue of approximately HK\$1,546.0 million, representing an increase of approximately 20.1% as compared with that of approximately HK\$1,287.1 million in the corresponding period last year.
- Profit for the period from continuing operations attributable to shareholders of the Company for the six months ended 30 June 2020 increased by approximately 71.6% to approximately HK\$217.8 million as compared to approximately HK\$126.9 million for the corresponding period last year.
- Basic and diluted earnings per share for profit from continuing operations for the six months ended 30 June 2020 were approximately HK6.17 cents (for the six months ended 30 June 2019: approximately HK4.70 cents).
- Revenue from the Group's environmental hygiene business for the six months ended 30 June 2020 increased by approximately 39.6% to approximately HK\$1,266.1 million as compared to approximately HK\$906.6 million for the corresponding period last year.
- Gross profit margin of the Group's environmental hygiene business projects for the six months ended 30 June 2020 (not taking into account the VAT and other reliefs) increased to approximately 26.3% as compared to approximately 24.1% for the corresponding period last year.
- Net cash flows generated from operating activities for the six months ended 30 June 2020 were approximately HK\$378.7 million (for the six months ended 30 June 2019: approximately HK\$201.3 million).

CHAIRMAN'S STATEMENT (CONTINUED)

PROSPECT

In the second half of 2020, the Group will continue to grasp the post-listing corporate governance work, deepening precision management and improving operation capabilities. The Group will seize the opportunities arising from the full implementation of mandatory requirements for garbage sorting and marketization of the environmental hygiene sector by strengthening the service contents and technical support related to the environmental hygiene business, elevating the operation quality, upgrading the service standards while further increasing the development of quality projects, thereby expanding the operation scale.

As affected by the epidemic and domestic economic situation, the investment in newly constructed hazardous waste treatment projects is more active in various regions, thereby benefiting the market expansion of the Group. However, as there is fierce competition in the hazard-free market in some regions and the standard of hazardous waste treatment has been further increased, there are higher requirements for the Group's capabilities of operating the hazardous waste treatment business. The Company will formulate effective strategies tailored for the specific types of hazardous wastes in different regions in order to enhance the effectiveness of project operations while making deployment for expanding the market layout.

At present, the epidemic in the Mainland China has been effectively controlled. As the central and local governments announce and implement various measures and related preferential policies to facilitate business development after the epidemic, the progress of resumption of work and production is gradually expediting. The short-term impacts caused by the epidemic will be gradually mitigated and the economic and social order are being restored in order. At the same time, as the epidemic is gradually under control, many information platforms start to resume their programs for bidding applications for environmental hygiene projects in March. With the prevention and control of epidemic becoming the norms, it is probable that additional environmental hygiene services such as sterilization and disinfection will become a normalized mode, which will increase room for the market of environmental hygiene services. As for the hazardous waste treatment business which was more affected by the epidemic in the first half of the year, while the epidemic was under control, customer demands have been improved significantly in the second quarter. We expect that the related productivity and market demands will gradually return to normal levels in the second half of the year.

APPRECIATION

On behalf of the Board, I would like to extend my sincerest gratitude and blessings to our shareholders, customers, staff members and cooperation partners for their great and continuous support to the Group.

Zhou Min
Chairman

27 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2020 and 2019 is set out in details below:

	Revenue			Gross profit margin			Profit attributable to shareholders of the Company from continuing operations		
	2020 HK\$'000	2019 HK\$'000 (Restated)	Change %	2020 %	2019 % (Restated)	Change %	2020 HK\$'000	2019 HK\$'000 (Restated)	Change %
Environment hygiene services	1,266,068	906,640	39.6%	31.8%	24.1%	7.7%	211,151	86,152	145.1%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	113,355	155,176	(27.0)%	46.2%	51.9%	(5.7)%	22,190	32,571	(31.9)%
– Recycling and reuse projects	80,068	122,037	(34.4)%	30.8%	33.9%	(3.1)%	17,121	32,558	(47.4)%
Subtotal	193,423	277,213	(30.2)%	39.8%	44.0%	(4.2)%	39,311	65,129	(39.6)%
Others	86,511	103,221	(16.2)%	32.1%	28.5%	3.6%	12,032	10,596	13.6%
Business results	1,546,002	1,287,074	20.1%	32.9%	28.7%	4.2%	262,494	161,877	62.2%
Corporate and other unallocated income and expenses, net							(44,678)	(34,930)	27.9%
Total							217,816	126,947	71.6%

BUSINESS REVIEW

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

Environmental hygiene services

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

According to a report by Frost & Sullivan, a global market research and consulting firm, the size of China's environmental hygiene service market increased from RMB138.9 billion in 2014 to RMB299.9 billion in 2019, and is expected to further increase to RMB559.1 billion in 2024.

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. The enterprise sector accounted for 11.6% of the total market in 2014. The share of the enterprise sector as a percentage of the total market was 47.3% in 2019, and is expected to further increase to 74.9% in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2020, the Group had 107 environmental hygiene services projects, the movements of which, during the six months ended 30 June 2020, are as follows:

	Number of projects
As at 1 January 2020	97
Newly added	13
Terminated/ceased to operate	(3)
As at 30 June 2020	107

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

Operating Models	Number of projects
Operation & Maintenance ("O&M")	97
Public-Private-Partnership ("PPP")	
• Build-Transfer-Operate ("BTO")	7
• Transfer-Operate-Transfer	3
Total	107

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

During the six months ended 30 June 2020, the Group successfully won a total of 13 environmental hygiene service projects through public tenders with total contract value and estimated annual revenue amounting to approximately RMB8.0 billion and RMB724.2 million, respectively (equivalent to approximately HK\$8.9 billion and HK\$804.7 million, respectively). During the six months ended 30 June 2020, the Group had recorded a total amount of approximately HK\$151.8 million as revenue in respect of these 13 projects.

As at 30 June 2020, the Group had a total contracted area of approximately 177.5 million sq.m. (31 December 2019: 150.3 million sq.m.) with its environmental hygiene service projects, which created an average revenue of approximately HK\$6.2 per sq.m. (six months ended 30 June 2019: HK\$5.5 per sq.m.).

Hazardous waste treatment business

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

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2014 to 2019, the disposal volume of hazardous waste in China increased from 9.3 million tons to 34.8 million tons, representing a compound annual growth rate ("CAGR") of 30.2%. Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimize negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

As at 30 June 2020, the Group had 7 hazardous waste treatment projects in operation and 1 hazardous waste treatment project in trial operation. As of 30 June 2020, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 247,342 tons per annum (31 December 2019: 370,396 tons). Treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (31 December 2019: 250,000 tons), as of the same date. As of 30 June 2020, the Group also had 4 projects under construction and 3 projects planned for future construction.

Other business

Our other business represents waste electrical and electronic equipment treatment business. As of 30 June 2020, the Group had 2 revenue-generating waste electrical and electronic equipment treatment projects.

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

For the six months ended 30 June 2020, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$86.5 million (six months ended 30 June 2019: HK\$103.2 million), representing approximately 5.6% (six months ended 30 June 2019: 8.0%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue from continuing operations increased to HK\$1,546.0 million for the six months ended 30 June 2020 (six months ended 30 June 2019: HK\$1,287.1 million), primarily due to increased revenue from the Group's environmental hygiene services projects.

Environmental hygiene services

During the six months ended 30 June 2020, the Group recorded a total revenue of HK\$1,266.1 million (six months ended 30 June 2019: HK\$906.6 million) from its environmental hygiene services projects. As at 30 June 2020, the Group had a total of 107 environmental hygiene services projects (30 June 2019: 80).

The gross profit margin of the Group's environmental hygiene services projects increased significantly from 24.1% for the six months ended 30 June 2019 to 31.8% for the six months ended 30 June 2020, mainly because of:

- (i) increase in relief related to value-added-tax ("VAT Relief") granted by the local government in the People's Republic of China (the "PRC") due to the COVID-19 pandemic in the amount of approximately HK\$63.8 million (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects), which resulted in the increase in revenue recognized;
- (ii) increase in the relief related to the reduction of the Group's social welfare and security contributions and other relief ("Other Relief") granted by the local government in the PRC due to the COVID-19 pandemic in the amount of approximately HK\$23.7 million (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects), which resulted in the decrease in cost of sales; and
- (iii) increase in the gross profit margin, excluding the effect on the reliefs as mentioned in (i) and (ii) above, from the Group's environmental hygiene service projects from approximately 24.1% for the six months ended 30 June 2019 to approximately 26.3% for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the financial impacts of the VAT Relief and the Other Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the six months ended 30 June 2020:

Environmental hygiene services	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Revenue	1,266,068	906,640
Less: VAT Relief	(63,793)	–
Revenue excluding VAT Relief	1,202,275	906,640
Cost of sales	862,885	688,230
Add: Other Relief	23,657	–
Costs of sales excluding Other Relief	886,542	688,230
Gross profit excluding VAT Relief and Other Relief	315,733	218,410
Gross profit margin excluding VAT Relief and Other Relief	26.3%	24.1%

Hazardous waste treatment services

During the six months ended 30 June 2020, the Group recorded a total revenue of HK\$193.4 million (six months ended 30 June 2019: HK\$277.2 million) from its hazardous waste treatment services projects. Due to the out-break of the COVID-19 pandemic in early 2020, the businesses of the customers of the Group's hazardous waste treatment services projects were seriously affected, which in turn led to the decrease in the Group's revenue.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 44.0% for the six months ended 30 June 2019 to 39.8% for the six months ended 30 June 2020, mainly due to drop in the average sales price.

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

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	Six months ended 30 June		Change	Six months ended 30 June		Change	Six months ended 30 June		Change
	2020	2019		2020	2019		2020	2019	
Revenue (HK\$'000)	113,355	155,176	(27.0)%	80,068	122,037	(34.4)%	193,423	277,213	(30.2)%
Less: Disposed subsidiaries	–	(37,027)	N/A	–	–	–	–	(37,027)	N/A
	113,355	118,149*	(4.1)%	80,068	122,037	(34.4)%	193,423	240,186*	(19.5)%
Actual treatment/sale volume (tons)	39,175	32,054	22.2%	28,458	36,944	(23.0)%	67,633	68,998	(2.0)%
Average sales price (HK\$)	2,894	3,686	(21.5)%	2,814	3,303	(14.8)%	2,860	3,481	(17.8)%

* Excluding revenue generated from disposed subsidiaries in the amount of approximately HK\$37.0 million for analysis purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The actual treatment of the Group's hazard-free waste disposal projects increased from 32,054 tons for the six months ended 30 June 2019 to 39,175 tons for the six months ended 30 June 2020, whereas the average sales price decreased from HK\$3,686 per ton for the six months ended 30 June 2019 to HK\$2,894 per ton for the six months ended 30 June 2020.

The sales volume of the Group's recycling and reuse projects decreased from 36,944 tons for the six months ended 30 June 2019 to 28,458 tons for the six months ended 30 June 2020, and the average sales price decreased from HK\$3,303 per ton for the six months ended 30 June 2019 to HK\$2,814 per ton for the six months ended 30 June 2020 mainly because of the drop in the market price of methanol during the period.

Administrative expenses

Administrative expenses for the six months ended 30 June 2020 decreased to HK\$138.1 million, as compared to the corresponding period in 2019 of HK\$140.7 million. The decrease was mainly due to certain of the relief related to the social welfare and security contributions granted by the local government recognised as administrative expenses in the amount of HK\$5.8 million during the six months ended 30 June 2020.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$36.2 million (six months ended 30 June 2019: HK\$33.5 million). The increase in finance costs was mainly due to the increase in bank and other borrowings during the six months ended 30 June 2020.

Income tax expense

The income tax expense increased from HK\$48.8 million for the six months ended 30 June 2019 to HK\$82.1 million for the six months ended 30 June 2020, mainly because of the increase in the operating taxable profits of the Group's environmental hygiene services projects.

Discontinued operations

The Group disposed of its 51% equity interests in Binnan Group in October 2019. For further details, please refer to note 7 to the condensed consolidated financial information in this report.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction on progress. The increase in property, plant and equipment during the six months ended 30 June 2020 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK\$264.1 million; (ii) additions of construction in progress for hazardous waste treatment business in the amount of HK\$135.7 million; and (iii) depreciation provided during the six months ended 30 June 2020 in the amount of HK\$109.7 million.

Right-of-use assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Increase in right-of-use assets was mainly due to net effect of (i) additions in buildings of HK\$51.2 million; (ii) additions in prepaid land lease premium of HK\$41.6 million; and (iii) amortisation of HK\$17.1 million.

Goodwill

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

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies. Decrease in operating concessions was due to amortisation of HK\$5.4 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Trade and bills receivables

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

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

	30 June 2020	31 December 2019
Average trade and bills receivable turnover days on continuing operations (<i>days</i>)	100	92

Environmental decommissioning fee receivable

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

Contract assets

Contract assets represented the construction services in relation to Group's PPP projects for environmental hygiene services. Decrease in the contract assets was mainly due to the recognition of contract assets as long term trade receivables as certain construction services had been provided and completed.

Prepayments, deposit and other receivables

Decrease in prepayments, deposit and other receivables was mainly due to (i) decrease of HK\$4.6 million in the guarantee deposits held by customers for environmental hygiene services projects; (ii) decrease of HK\$24.6 million in the prepayments for acquisition of land use rights for hazardous waste treatment business projects; and (iii) decrease of HK\$22.0 million in the prepayments for acquisition of property, plant and equipment.

Trade and bills payables

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

Other payables and accruals

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

Interest-bearing bank and other borrowings

Decrease in bank and other borrowings was mainly due to repayment of bank borrowings during the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liquidity and financial resources

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

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately HK\$1,387.3 million (31 December 2019: approximately HK\$1,051.9 million).

The Group's bank and other borrowings amounted to HK\$1,251.2 million (31 December 2019: HK\$1,389.8 million). Over 90% of bank and other borrowings bear interest at floating rates.

As at 30 June 2020, the Group had indebtedness in the form of interest-bearing bank and other borrowings to support the Group's working capital needs. The table below sets out a breakdown of the Group's overall indebtedness as at the dates indicated:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Secured bank loans	823,686	741,962
Unsecured bank loans	371,587	587,452
Secured other loans	45,510	54,517
Unsecured other loans	10,444	5,850
Total	1,251,227	1,389,781

As at 30 June 2020, the Group had net-cash on hand whereas the net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) as at 31 December 2019 was 15.0%.

Capital expenditure

During the six months ended 30 June 2020, the Group's total capital expenditures were HK\$513.9 million (six months ended 30 June 2019: HK\$424.7 million), out of which HK\$420.3 million and HK\$93.6 million (six months ended 30 June 2019: HK\$270.6 million and HK\$84.4 million) were paid for the additions of property, plant and equipment and right-of-use assets, respectively. In addition, during the six months ended 30 June 2019, the Group paid HK\$67.8 million and HK\$1.9 million in respect of additions of operating concession and other intangible assets, respectively.

FUTURE OUTLOOK

Looking forward, the ongoing COVID-19 pandemic brings uncertainties to the PRC economic environment. Nevertheless, due to rapid implementations of contingency measures to control the spread of COVID-19 in the PRC, the operating environment is expected to improve considerably in the second half of 2020.

In respect of the Group's environmental hygiene services business, the Group intends to participate in more tendering process for new projects, expand into new markets and seek the opportunities to expand the services to certain related business areas, such as recycling, sorting, greenway maintenance and reuse of municipal waste as a result of increasing urbanization in China and privatization of environmental hygiene service. In addition, the Group will strategically look for projects located in areas where the Group has established similar projects or in adjacent areas so that the Group can make good use of its knowledge of the local areas and business advantages.

Although the Group's hazardous waste treatment services business was adversely affected in the first few months of 2020 due to the outbreak of the COVID-19 pandemic, a trend of improving business was noted in the second and third quarter of 2020. The effective control measures taken by the PRC government have led to the recovery of the economy and it is expected that the recovery trend will continue in the second half of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

USE OF PROCEEDS FROM LISTING

On 15 January 2020 (the "Listing Date"), 900,000,000 new ordinary shares with a par value of HK\$0.1 each of the Company were issued at a price of HK\$0.69 by way of share offer and the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The net proceeds from the share offer (after deducting listing expenses) amounted to approximately HK\$603.4 million (the "IPO Proceeds"). The IPO Proceeds are intended to be applied in accordance with the proposed application as set out in the prospectus of the Company dated 30 December 2019. Up to 30 June 2020, the IPO Proceeds were utilised according to the intentions previously disclosed by the Company as follows:

	Intended use of proceeds HK\$ million	Actual amount utilised from Listing Date to 30 June 2020 HK\$ million	Unutilised amount as at 30 June 2020 HK\$ million	Expected timeline for utilising the unutilised amount
Purchase of equipment and facilities for hazardous waste treatment projects				
– Incineration system	191.1	20.3	170.8	
– Wastewater and liquid waste flocculation and purification system	11.2	2.8	8.4	
– Deodorization system	13.4	–	13.4	
Sub-total	215.7	23.1	192.6	Before end of 2021
Construction of buildings for hazardous waste treatment projects				
– Factory plants	78.7	78.7	–	
– Office buildings	11.3	11.3	–	
Sub-total	90.0	90.0	–	N/A
Purchase of garbage trucks for environmental hygiene services projects	97.9	97.9	–	N/A
Repayment of a bank borrowing in Hong Kong	150.0	150.0	–	N/A
General working capital	49.8	12.5	37.3	Before end of 2020
Total	603.4	373.5	229.9	

The unutilised IPO Proceeds were deposited with licensed banks in Hong Kong and the PRC.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 30 June 2020 are secured by:

- (i) pledges over the Group's equity interest in subsidiaries and a non-controlling shareholder's equity interest in a subsidiary as at 30 June 2020 and 31 December 2019; and
- (ii) pledges over certain of the Group's property, plant and equipment, right-of-use assets and operating concession rights as at 30 June 2020 and 31 December 2019.

Save as disclosed above, as at 30 June 2020, the Group did not have any charges on the Group's assets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTINGENT LIABILITIES

As at the end of the Reporting Period, the Group did not have any significant contingent liabilities (31 December 2019: Nil).

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the six months ended 30 June 2020, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed 36,094 employees (30 June 2019: 32,071 employees) with total staff cost of approximately HK\$592.8 million incurred for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$551.9 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no significant investments, material acquisition and disposal of subsidiaries, associates and joint ventures by the Group for the six months ended 30 June 2020 and there was no plan authorised by the Board for material investments or additions of capital assets up to the date of interim report.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company from the Listing Date to 30 June 2020.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2020 and up to the date of this report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
CONTINUING OPERATIONS			
REVENUE	3	1,546,002	1,287,074
Cost of sales		(1,038,058)	(917,372)
Gross profit		507,944	369,702
Other income and gains, net	3	29,304	30,312
Administrative expenses		(138,132)	(140,735)
Selling and distribution expenses		(6,222)	(4,355)
Other expenses		(5,890)	(5,320)
Finance costs	5	(36,177)	(33,494)
Share of profit/(loss) of a joint venture		2,326	(698)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	4	353,153	215,412
Income tax expense	6	(82,142)	(48,806)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		271,011	166,606
Attributable to:			
Owners of the parent		217,816	126,947
Non-controlling interests		53,195	39,659
		271,011	166,606
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	7	–	(12,260)
PROFIT FOR THE PERIOD		271,011	154,346
Attributable to:			
Owners of the parent		217,816	120,694
Non-controlling interests		53,195	33,652
		271,011	154,346
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (HK cents)	8		
For profit for the period		HK6.17 cents	HK4.47 cents
For profit from continuing operations		HK6.17 cents	HK4.70 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
PROFIT FOR THE PERIOD	271,011	154,346
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Exchange differences on translation of foreign operations	(68,772)	(5,395)
– Reclassification adjustments for a foreign operation disposed of during the period	–	(38)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	202,239	148,913
Attributable to:		
Owners of the parent	155,034	110,387
Non-controlling interests	47,205	38,526
	202,239	148,913

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	2,010,091	1,748,584
Right-of-use assets		405,603	334,519
Goodwill		273,716	279,586
Operating concessions		109,035	114,006
Other intangible assets		2,132	2,490
Prepayments, deposits and other receivables		73,611	115,379
Investment in a joint venture		33,738	32,144
Trade receivables	11	65,578	24,663
Contract assets		5,282	42,388
Deferred tax assets		9,986	6,700
Total non-current assets		2,988,772	2,700,459
CURRENT ASSETS			
Inventories		67,834	44,733
Trade and bills receivables	11	829,427	775,332
Environmental decommissioning fees receivable	12	248,504	219,460
Contract assets		4,108	3,513
Other tax recoverable		112,242	66,693
Prepayments, deposits and other receivables		59,824	84,606
Due from related companies		9,404	3,233
Due from non-controlling shareholders		17,736	22,679
Pledged deposits		14,275	14,596
Cash and cash equivalents		1,387,268	1,051,896
Total current assets		2,750,622	2,286,741
TOTAL ASSETS		5,739,394	4,987,200
CURRENT LIABILITIES			
Trade and bills payables	13	194,976	160,529
Other payables and accruals		864,376	825,663
Other taxes payable		2,464	22,623
Income tax payable		64,536	42,948
Due to related companies		1,941	1,876
Interest-bearing bank and other borrowings	14	569,602	563,950
Total current liabilities		1,697,895	1,617,589
NET CURRENT ASSETS		1,052,727	669,152
TOTAL ASSETS LESS CURRENT LIABILITIES		4,041,499	3,369,611

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Deferred income		167,909	147,712
Other payables and accruals		121,887	116,526
Deferred tax liabilities		22,081	16,829
Interest-bearing bank and other borrowings	14	681,625	825,831
Provision for major overhaul		5,162	5,155
Total non-current liabilities		998,664	1,112,053
Net assets		3,042,835	2,257,558
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	360,000	270,000
Reserves		2,195,261	1,543,820
		2,555,261	1,813,820
Non-controlling interests		487,574	443,738
Total equity		3,042,835	2,257,558

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020

	Attributable to owners of the parent									
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Merger reserve HK\$'000	Exchange fluctuation reserve HK\$'000	PRC reserve funds HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019	-	-	(2,936)	1,347,830	(35,944)	34,781	211,745	1,555,476	589,034	2,144,510
Profit for the period (audited)	-	-	-	-	-	-	120,694	120,694	33,652	154,346
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations (audited)	-	-	-	-	(10,269)	-	-	(10,269)	4,874	(5,395)
Reclassification adjustments for a foreign operation disposed of during the period (audited)	-	-	-	-	(38)	-	-	(38)	-	(38)
Total comprehensive income/(loss) for the period (audited)	-	-	-	-	(10,307)	-	120,694	110,387	38,526	148,913
Capital contribution from non-controlling shareholders (audited)	-	-	-	-	-	-	-	-	11,794	11,794
Transfer between reserves (audited)	-	-	-	-	-	15,103	(15,103)	-	-	-
Issue of shares (audited)	1,350,000	-	-	(1,350,000)	-	-	-	-	-	-
Capital reduction (audited)	(1,080,000)	-	1,080,000	-	-	-	-	-	-	-
Acquisition of non-controlling interests (audited)	-	-	(4,890)	-	-	-	-	(4,890)	(21,863)	(26,753)
Disposal of subsidiaries (audited)	-	-	-	-	-	-	-	-	(80,481)	(80,481)
At 30 June 2019	270,000	-	1,072,174	(2,170)	(46,251)	49,884	317,336	1,660,973	537,010	2,197,983
At 1 January 2020	270,000	-	1,076,069	(2,170)	(52,978)	86,789	436,110	1,813,820	443,738	2,257,558
Profit for the period (unaudited)	-	-	-	-	-	-	217,816	217,816	53,195	271,011
Other comprehensive income/(loss) for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	-	(62,782)	-	-	(62,782)	(5,990)	(68,772)
Total comprehensive income/(loss) for the period (unaudited)	-	-	-	-	(62,782)	-	217,816	155,034	47,205	202,239
Capital contributions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	3,622	3,622
Capital reductions from non-controlling shareholders (unaudited)	-	-	-	-	-	-	-	-	(4,444)	(4,444)
Issue of new shares pursuant to the Share Offer (unaudited) (note 15)	90,000	531,000	-	-	-	-	-	621,000	-	621,000
Share issue expenses (unaudited)	-	(33,564)	-	-	-	-	-	(33,564)	-	(33,564)
Acquisition of non-controlling interests (unaudited)	-	-	(1,029)	-	-	-	-	(1,029)	(2,547)	(3,576)
Transfer between reserves (unaudited)	-	-	-	-	-	23,002	(23,002)	-	-	-
At 30 June 2020 (unaudited)	360,000	497,436*	1,075,040*	(2,170)*	(115,760)*	109,791*	630,924*	2,555,261	487,574	3,042,835

* These reserve accounts comprise the consolidated reserves of HK\$2,195,261,000 (unaudited) (31 December 2019: HK\$1,543,820,000 (audited)) in the condensed consolidated statements of financial position as at 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2020

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
OPERATING ACTIVITIES		
Cash generated from operations	437,649	237,864
Corporate income tax paid in the People's Republic of China (the "PRC" or "Mainland China")	(58,964)	(36,591)
Net cash flows from operating activities	378,685	201,273
INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(364,001)	(330,721)
Proceeds from disposal items of property, plant and equipment	3,120	43,179
Proceed from disposal of a right-of-use asset	–	1,329
Additions to other intangible assets	(9)	(1,923)
Additions of right-of-use assets	(41,643)	(2,850)
Additions of operating concessions	–	(67,767)
Repayments from related companies and non-controlling shareholders	–	433,020
Settlement of acquisition consideration payable	(50,333)	(52,150)
Disposal of subsidiaries	–	(7,029)
Decrease in pledged deposits	321	3,693
Increase in time deposits with maturity of more than three months when acquired	–	(912)
Interest received	8,274	6,138
Net cash flows from/(used in) investing activities	(444,271)	24,007
FINANCING ACTIVITIES		
Capital contributions from non-controlling shareholders	3,622	11,794
Proceed from issue of shares, net	603,408	–
New bank and other borrowings	284,016	140,023
Repayments of bank and other borrowings	(409,107)	(151,369)
Principal portion of lease payments	(18,328)	(16,886)
Advances from related companies and non-controlling shareholders	773	5,210
Repayments to related companies and non-controlling shareholders	–	(11,922)
Interest paid	(31,814)	(30,201)
Acquisition of non-controlling interests	(3,576)	(26,753)
Net cash flows from/(used in) financing activities	428,994	(80,104)
Net increase in cash and cash equivalents	363,408	145,176
Cash and cash equivalents at beginning of period	1,051,896	677,249
Effect of foreign exchange rate changes, net	(28,036)	6,124
Cash and cash equivalents at end of period	1,387,268	828,549
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statements of financial position	1,387,268	886,526
Less: Time deposit with maturity of more than three months when acquired	–	(57,977)
Cash and cash equivalents as stated in the condensed consolidated statements of cash flows	1,387,268	828,549

Note: Net cash flows from operating activities from continuing operations were HK\$378,685,000 for the period ended 30 June 2020. Net cash flows from operating activities from continuing operations was HK\$205,752,000 for the period ended 30 June 2019.

Net cash flows used in operating activities from discontinued operations were nil for the period ended 30 June 2020. Net cash flows used in operating activities from discontinued operations was HK\$4,479,000 for the period ended 30 June 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2020

1.1 CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

In January 2020, the Company completed the global offering and listing of its shares on the Main Board of the Stock Exchange and dealings of the Company's shares on the Stock Exchange commenced on 15 January 2020.

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

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

1.2 BASIS OF PREPARATION

This unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). It is unaudited but has been reviewed by the audit committee of the Company (the "Audit Committee").

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, except for the adoption of the new and revised HKFRSs as disclosed in note 1.3 below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the revised HKFRSs are described below:

- (a) 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 has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

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

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (d) 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. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

2. OPERATING SEGMENT INFORMATION

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

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

2. OPERATING SEGMENT INFORMATION (Continued)

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
Segment revenue (note 3):	1,266,068	906,640	193,423	277,213	86,511	103,221	1,546,002	1,287,074
Cost of sales	(862,885)	(688,230)	(116,442)	(155,291)	(58,731)	(73,851)	(1,038,058)	(917,372)
Gross profit	403,183	218,410	76,981	121,922	27,780	29,370	507,944	369,702
Segment results	321,845	133,991	53,336	96,737	22,650	19,614	397,831	250,342
Corporate and other unallocated income and expenses, net:								
Interest income							29	854
Other corporate gains							29	4,841
Finance costs							(10,207)	(11,207)
Corporate and other unallocated expenses							(34,529)	(29,418)
							(44,678)	(34,930)
Profit before tax from continuing operations							353,153	215,412
Income tax expense							(82,142)	(48,806)
Profit for the period from continuing operations							271,011	166,606
Segmental profit for the period from continuing operations	251,045	99,717	44,088	84,183	20,556	17,636	315,689	201,536
Non-controlling interests	(39,894)	(13,565)	(4,777)	(19,054)	(8,524)	(7,040)	(53,195)	(39,659)
Owners of the parent	211,151	86,152	39,311	65,129	12,032	10,596	262,494	161,877
Corporate and other unallocated income and expenses, net							(44,678)	(34,930)
							217,816	126,947
Other segment information:								
Share of profit/(loss) of a joint venture	-	-	2,326	(698)	-	-	2,326	(698)
Impairment losses/(reversal of impairment losses) recognised in the statement of profit or loss, net	-	(360)	(1,086)	99	64	-	(1,022)	(261)
Depreciation and amortisation	96,426	54,982	32,569	42,850	3,441	4,038	132,436	101,870
Investment in a joint venture	-	-	33,738	32,144	-	-	33,738	32,144
Capital expenditure*	352,051	259,643	161,050	161,668	762	3,393	513,863	424,704

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

2. OPERATING SEGMENT INFORMATION *(Continued)*

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 period.
- (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 period.

Information about major customers

During the six months ended 30 June 2020 and 2019, no revenue from transactions with a single external customer contributed over 10% to the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

		For the six months ended 30 June	
	Notes	2020 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Audited)</i> (Restated)
Revenue from contract customers			
Environmental hygiene services businesses			
– Environmental hygiene services	(a)	1,256,574	906,640
– Construction services	(a)	9,494	–
		1,266,068	906,640
Hazardous waste treatment businesses			
– Hazardous waste treatment services	(a)	114,471	131,483
– Sale of refined chemical and other products	(a)	78,952	145,730
		193,423	277,213
Sale of dismantled products	(a)	35,302	51,694
		1,494,793	1,235,547
Revenue from other source			
Environmental decommissioning fees income		51,209	51,527
		1,546,002	1,287,074

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

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

	Notes	For the six months ended 30 June	
		2020 HK\$'000 <i>(Unaudited)</i>	2019 HK\$'000 <i>(Audited)</i> (Restated)
Other income and gains, net			
Interest income		8,274	6,033
Foreign exchange differences, net		2,242	71
Government grants	(b)	7,348	3,060
VAT refunds	(c)	6,729	11,534
Consultancy services provided	(a)	857	5,907
Gain on disposal of subsidiaries		–	2,841
Others		3,854	866
		29,304	30,312

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.

Please refer to note 2 to the financial information for the disclosure on disaggregated revenue for details.

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

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
Cost of inventories sold	113,319	153,282
Cost of services provided	919,375	761,496
Depreciation of property, plant and equipment	109,709	85,499
Depreciation of right-of-use assets	17,056	13,592
Amortisation of intangible assets	307	185
Amortisation of operating concessions*	5,364	2,594
Reversal of impairment losses of trade receivables, net	(1,022)	(261)
Write-down of inventories to net realisable value	2,285	3,263
Gain on disposal of items of property, plant and equipment	(29)	(540)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	549,178	465,369
Pension scheme contributions	43,646	86,507
	592,824	551,876

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
Interest on bank borrowings	30,593	28,914
Interest on other loans	2,278	3,792
Interest on lease liabilities	4,242	3,618
Total interest on bank and other borrowings	37,113	36,324
Increase in discounted amounts of provision for major overhaul arising from the passage of time	121	120
Total finance costs	37,234	36,444
Less: Interest capitalised	(1,057)	(2,950)
	36,177	33,494

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

6. INCOME TAX

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2020 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2019: Nil).

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited) (Restated)
Current – Mainland China charge for the period	81,747	48,988
Deferred	395	(182)
Total tax charge for the period from continuing operations	82,142	48,806
Total tax charge for the period from a discontinued operation	–	–
	82,142	48,806

7. DISCONTINUED OPERATION

Pursuant to an equity interest transfer agreement entered into between the Group, 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) ("Binnan Group") and the non-controlling shareholders of Binnan Group, on 30 August 2019, the Group agreed to sell its 51% equity interest in Binnan Group to the non-controlling shareholder for a cash consideration of approximately RMB75.3 million. The disposal was completed on 21 October 2019. Accordingly, the condensed consolidated statement of profit or loss and the condensed consolidated statement of cash flows have been presented consistently for the discontinued operation throughout the period to conform with the presentation for the six months ended 30 June 2019.

The result of Binnan Group for the six months ended 30 June 2019 is presented below:

	For the six months ended 30 June 2019 HK\$'000 (Audited)
Revenue	188,209
Cost of sales	(169,494)
Other income and gain	465
Administrative expenses	(27,897)
Other expenses	(248)
Finance costs	(3,295)
Loss for the period from a discontinued operation	(12,260)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

7. DISCONTINUED OPERATION *(Continued)*

The net cash flows incurred by Binnan Group for the period are as follows:

	For the six months ended 30 June 2019 <i>HK\$'000</i> <i>(Audited)</i>
Operating activities	(4,479)
Investing activities	16,627
Financing activities	(41,801)
Net cash outflow	(29,653)

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the six months ended 30 June 2020 attributable to shareholders of the Company and the profit from continuing operations attributable to shareholders of the Company, and the weighted average number of ordinary shares of 3,530,769,231 in issue during the six months ended 30 June 2020 (the weighted average number of ordinary shares of 2,700,000,000 used for the six months ended 30 June 2019 has assumed that the issue of new shares (note 15) of the Company had been completed on 1 January 2019).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

The calculation of the basic and diluted earnings per share amounts are based on the followings:

	For the six months ended 30 June	
	2020 <i>HK\$'000</i> <i>(Unaudited)</i>	2019 <i>HK\$'000</i> <i>(Audited)</i> <i>(Restated)</i>
Earnings		
(i) For profit for the period:		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	217,816	120,694
(ii) For profit for the period from continuing operations:		
Profit for the period from continuing operations attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	217,816	126,947
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	3,530,769,231	2,700,000,000

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

9. DIVIDEND

No dividend was paid or proposed during the six months ended 30 June 2020 nor has any dividend been proposed since the end of the Reporting Period up to the date of this unaudited interim condensed consolidated financial information (six months ended 30 June 2019: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's additions of property, plant and equipment amounted to HK\$420,265,000 (six months ended 30 June 2019: HK\$278,534,000). There were disposals of property, plant and equipment with an aggregate carrying amount of HK\$3,091,000 (six months ended 30 June 2019: HK\$42,639,000) during the six months ended 30 June 2020.

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	895,050	802,140
Less: impairment	(1,474)	(2,541)
	893,576	799,599
Bills receivables	1,429	396
	895,005	799,995
Portion classified as current assets	(829,427)	(775,332)
Non-current portion	65,578	24,663

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

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

11. TRADE AND BILLS RECEIVABLES (Continued)

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	311,588	343,293
1 to 2 months	167,630	117,803
2 to 3 months	115,259	65,349
Over 3 months	233,521	248,491
	827,998	774,936
Unbilled*	65,578	24,663
	893,576	799,599

* The unbilled balance was attributable to certain construction services which will be billed in accordance with the repayment terms stipulated in relevant construction services agreements entered into between the Group and the contract customers.

12. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Environmental decommissioning fees receivable	248,504	219,460

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

The Group does not hold any collateral over these balances.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

13. TRADE AND BILLS PAYABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade payables	162,009	126,821
Bills payable	32,967	33,708
	194,976	160,529

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 1 month	110,644	89,516
1 to 2 months	4,347	3,899
2 to 3 months	15,853	3,738
Over 3 months	31,165	29,668
	162,009	126,821

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

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Secured bank loans	823,686	741,962
Unsecured bank loans	371,587	587,452
Secured other loans	45,510	54,517
Unsecured other loans	10,444	5,850
Total bank and other borrowings	1,251,227	1,389,781
Portion classified as current liabilities	(569,602)	(563,950)
Non-current portion	681,625	825,831

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

15. SHARE CAPITAL

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Authorised: 30,000,000,000 ordinary shares of HK\$0.1 each	3,000,000	3,000,000
Issued and fully paid: 3,600,000,000 (31 December 2019: 2,700,000,000) ordinary shares of HK\$0.1 each	360,000	270,000

The movements in the Company's share capital during the period from 26 March 2019 (date of incorporation) to 30 June 2020 were as follows:

	Notes	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares HK\$'000
Authorised: At 26 March 2019 (date of incorporation), 31 December 2019 and 30 June 2020	(i)	30,000,000,000	3,000,000
		Number of shares in issue	Share capital of HK\$0.1 each HK\$'000
Issue and fully paid: At 26 March 2019 (date of incorporation), and 31 December 2019	(ii)	2,700,000,000	270,000
Issue of new shares pursuant to the Share Offer	(iii)	900,000,000	90,000
At 30 June 2020		3,600,000,000	360,000

Notes:

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 March 2019 with authorised 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 Beijing Enterprises Water Group Limited ("BEWG") on the same day.

(ii) On 26 March 2019, 13,499,999,999 ordinary shares of HK\$0.10 each were allotted and issued as nil-paid to the then shareholders of Mind Light Holdings Limited ("Mind Light"), the then ultimate holding company of the Group.

On 26 March 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 then shareholders were all credited as fully paid on 26 March 2019.

Pursuant to a shareholders' resolution dated 15 April 2019 and a directors' resolution dated 15 April 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 held by each of the then shareholders remained the same.

(iii) In connection with the listing of shares of the Company on the Main Board of the Stock Exchange (the "Share Offer"), 900,000,000 new ordinary shares of HK\$0.1 each were issued at a price of HK\$0.69 per share for a total cash consideration, before expenses, of HK\$621,000,000. Dealings in the shares of the Company on the Stock Exchange commenced on 15 January 2020.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

16. DISPOSAL OF SUBSIDIARIES

Six months ended 30 June 2019

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	169,960
Goodwill	56,027
Right-of-use assets	19,297
Intangible assets	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	(12,273)
Non-controlling interests	(80,481)
	39,557
Exchange fluctuation reserve realised	(38)
Gain on disposal of subsidiaries (note 3)	2,841
	42,360
Satisfied by:	
Offsetting of current accounts with the acquirees	42,360

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

	<i>HK\$'000</i>
Cash and cash equivalents disposed of	(7,029)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(7,029)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

17. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the Reporting Period:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Contracted, but not provided for:		
New service concession arrangement on BTO basis	36,347	–
Construction in progress	393,497	101,205
Plant and equipment	306,450	427,031
Prepaid land lease premium	–	10,787
	736,294	539,023

18. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial information, the Group had the following transactions with related parties during the periods:

		For the six months ended 30 June	
	Notes	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Related companies			
Interest expenses	(i)	–	74
Interest income	(ii)	–	3,022
Costs of services provided ^{#Y}	(ii)	2,957	2,097
Gain on disposal of items of property, plant and equipment	(iii)	–	588
Service income ^Y	(iii)	8,226	3,139
Sale of uniforms and machinery	(iv)	1,248	871

[#] These related party transactions also constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirement as defined in Chapter 14A of the Listing Rules.

^Y These related party transactions also constitute connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2020

18. RELATED PARTY TRANSACTIONS (Continued)

(a) (Continued)

Notes:

- (i) Interest expenses in 2019 mainly represented amounts paid to a subsidiary of BEWG.
- (ii) The transactions were based on terms mutually agreed between the Group and the related parties.
- (iii) The Group transferred certain items of property, plant and equipment for the provision of environmental hygiene services to a subsidiary of BEWG on 1 April 2019 at a cash consideration of HK\$29 million. A disposal gain of HK\$0.6 million arose from the transaction. The Group then immediately entered into an arrangement with the related company to provide entrusted operation service for this related party. For further details, please refer to the section headed "Connected Transactions" in the prospectus of the Company dated 30 December 2019. Amounts of HK\$8.2 million and HK\$3.1 million were recognised for the services provided for the six months ended 30 June 2020 and 2019, respectively.
- (iv) The amount represented income generated from the sale of uniforms and machinery for the provision of environmental hygiene services to a related company of BEWG.
- (v) The Group leased office buildings from BEWG and its subsidiary. The financial impact of the lease was included in right-of-use assets and lease liabilities in the financial statements for the year/period ended 31 December 2019 and 30 June 2020.

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Short term employee benefits	6,347	830
Post-employment benefits	75	140
Total compensation paid to key management personnel	6,422	970

Save as disclosed above, at 30 June 2020, the Group had no other material transactions and outstanding balances with related parties.

19. 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.

20. COMPARATIVE AMOUNTS

As further explained in note 7 to the condensed consolidated financial information, the comparative condensed consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operation discontinued during the prior period had been discontinued at the beginning of the comparative period.

21. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

These condensed consolidated financial information were approved and authorised for issue by the board of directors on 27 August 2020.

DISCLOSEABLE INFORMATION

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

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

Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's Issued Share Capital (Note 1)
Mr. Zhao Kexi	–	–	192,200,000 (Note 2)	–	192,200,000	5.34%
Mr. Zhang Hailin	–	–	192,200,000 (Note 2)	–	192,200,000	5.34%
Mr. Zhou Min	–	–	104,820,000 (Note 3)	–	104,820,000	2.91%
Mr. Li Haifeng	–	–	48,960,000 (Note 4)	–	48,960,000	1.36%

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 shares in issue as of 30 June 2020.
2. 192,200,000 shares were held by Shanghai Ziyue Enterprises Management Partnership (Limited Partnership) (上海自閱企業管理合夥企業(有限合夥)) ("Shanghai Ziyue"), of which Mr. Zhao Kexi and Mr. Zhang Hailin are limited partners held as to 20.04% and 10.06% interests in Shanghai Ziyue. Therefore, Mr. Zhao Kexi and Mr. Zhang Hailin were deemed to have interests in those shares of the Company under the SFO.
3. 104,820,000 shares were held by Star Colour Investments Limited ("Star Colour"), a company wholly-owned by Mr. Zhou Min. Accordingly, Mr. Zhou Min is deemed to have interests in those shares of Star Colour under the SFO.
4. 48,960,000 shares were held by Maolin Investments Limited ("MIL"), a company wholly-owned by Mr. Li Haifeng. Accordingly, Mr. Li Haifeng is deemed to have interests in those shares of MIL under the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, the underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 were rights to acquire benefits by means of the acquisition of shares or shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 18 to the condensed consolidated financial information, no Directors nor a connected entity of a Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months ended 30 June 2020.

DISCLOSEABLE INFORMATION (CONTINUED)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, so far as was known to the Directors and chief executive of the Company, the following persons (other than the Directors and chief executive of the Company as disclosed above) had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

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

Name of shareholders	Capacity in which shares are held	Number of shares held	Approximate percentage of the Company's issued Share capital (Note 1)
Beijing Enterprises Group Company Limited ("BE Group") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Group (BVI) Company Limited ("BE BVI") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Holdings Limited ("BEHL") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Environmental Construction Limited ("BE Environmental") (Note 2)	Interest of controlled corporation	1,009,600,000	28.04%
Beijing Enterprises Water Group Limited ("BEWG") (Note 2)	Beneficial interests	1,009,600,000	28.04%
Chang Tat Joel (Note 3)	Interest of controlled corporation	891,000,000	24.75%
Brilliant Champ Investments Limited ("Brilliant Champ") (Note 3)	Interest of controlled corporation	891,000,000	24.75%
Genius Link Utilities GP Limited ("Genius Link GP") (Note 3)	Interest of controlled corporation	891,000,000	24.75%
Genius Link Utilities L.P. ("Genius Link L.P.") (Note 3)	Beneficial interests	891,000,000	24.75%
Central Huijin Investment Ltd. ("Central Huijin Investment") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
China Construction Bank Corporation ("CCB Corporation") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
CCB International Group Holdings Limited ("CCB International Group") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
CCB Financial Holdings Limited ("CCB Financial Holdings") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
CCB International (Holdings) Limited ("CCB International Holdings") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
CCB International Asset Management Limited ("CCB Asset Management") (Note 4)	Interest of controlled corporation	216,000,000	6.00%
HNW Investment Fund Series SPC acting for and on behalf of PF Fund Segregated Portfolio ("HNW Investment") (Note 4)	Beneficial interests	216,000,000	6.00%
Zhang Yao (Note 5)	Interest of controlled corporation	204,100,000	5.67%
Glowing Trend Investments Limited ("Glowing Trend") (Note 5)	Beneficial interests	204,100,000	5.67%
Yan Youhui (Note 6)	Interest of controlled corporation	192,200,000	5.34%
Zhao Zhen (Note 6)	Interest of controlled corporation	192,200,000	5.34%
Shanghai Ziyue (Note 6)	Beneficial interests	192,200,000	5.34%

DISCLOSEABLE INFORMATION (CONTINUED)

Notes:

1. The approximate percentage was calculated on the basis of 3,600,000,000 shares in issue as of 30 June 2020.
2. 1,009,600,000 shares are held by BEWG. BEWG is directly held as to approximately 41.13% by BE Environmental and 0.13% by Beijing Holdings Limited. BE Environmental is a wholly-owned subsidiary of BEHL, which is deemed to be held as to approximately 62.14% by BE Group through Beijing Holdings Limited and BE BVI (both are BE Group's direct wholly-owned subsidiaries), Beijing Enterprises Investments Limited ("BEIL") (a company being directly held as to 72.72% by BE BVI), and Modern Orient Limited (BEIL's direct wholly-owned subsidiary).
3. Genius Link L.P. is managed by Genius Link GP. Genius GP is wholly-owned by Brilliant Champ which is in turn wholly-owned by Chang Tat Joel. By virtue of the SFO, each of the Genius Link GP, Brilliant Champ and Chang Tat Joel is deemed to be interested in all the shares beneficially held by Genius Link L.P..
4. HNW Investment is wholly-owned by CCB Asset Management which is in turn wholly-owned by CCB International Holdings. CCB International Holdings is wholly-owned by CCB Financial Holdings, which is in turn wholly-owned by CCB International Group. CCB International Group is wholly-owned by CCB Corporation, which is in turn owned as to 57.11% by Central Huijin Investment. By virtue of the SFO, each of Central Huijin Investment, CCB Corporation, CCB International Group, CCB Financial Holdings, CCB International Holdings and CCB Asset Management is deemed to be interested in all the shares beneficially held by HNW Investment.
5. Glowing Trend is wholly-owned by Zhang Yao.
6. Shanghai Ziyue is a limited partnership. Yan Youhui and Zhao Zhen are general partners of Shanghai Ziyue.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CHANGE IN INFORMATION OF A DIRECTOR UNDER RULE 13.51B(1) OF THE LISTING RULES

Change in information of a Director during the six months ended 30 June 2020 and up to the date of this interim report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Mr. Wu Tak Kong, an independent non-executive Director of the Company, resigned as a non-executive director of Kong Sun Holdings Limited (stock code: 295) on 4 June 2020.

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

CORPORATE GOVERNANCE

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules from the Listing Date to 30 June 2020.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 30 June 2020.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Dr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of the Listing Rules have been complied with, in the preparation of relevant results, and sufficient disclosures have been made.



北控城市資源集團有限公司

BEIJING ENTERPRISES URBAN RESOURCES GROUP LIMITED

