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Beijing Enterprises Urban Resources Group Limited

北控城市資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3718)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

HIGHLIGHTS

- The Group recorded a revenue of approximately HK\$3,520.0 million for the year ended 31 December 2020, representing an increase of approximately 29.8% as compared with that of approximately HK\$2,711.2 million for the year ended 31 December 2019.
- Profit for the year from continuing operations attributable to shareholders of the Company increased by approximately 58.3% to approximately HK\$426.8 million for the year ended 31 December 2020 as compared to approximately HK\$269.6 million for the year ended 31 December 2019.
- Basic and diluted earnings per share for profit from continuing operations for the year ended 31 December 2020 were approximately HK11.97 cents (31 December 2019: HK9.99 cents).
- The Group's revenue from environmental hygiene services increased by approximately 43.3% to HK\$2,821.0 million for the year ended 31 December 2020 as compared with that of approximately HK\$1,968.0 million for the year ended 31 December 2019.
- Net cash flows from operating activities for the year ended 31 December 2020 was approximately HK\$672.9 million (31 December 2019: HK\$635.5 million).
- Cash and cash equivalents of the Group amounted to approximately HK\$1,725.3 million as at 31 December 2020 (31 December 2019: HK\$1,051.9 million).

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) is pleased to announce the consolidated results and cashflows of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020 and the consolidated statement of financial position of the Group as at 31 December 2020, together with comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	3	3,520,047	2,711,228
Cost of sales		(2,433,343)	(1,927,783)
Gross profit		1,086,704	783,445
Other income and gains, net	3	70,335	59,916
Administrative expenses		(339,690)	(320,017)
Selling and distribution expenses		(15,952)	(14,306)
Other expenses		(26,833)	(3,362)
Finance costs	5	(72,034)	(72,343)
Share of profit of a joint venture		1,247	27
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		703,777	433,360
Income tax expense	6	(163,365)	(87,492)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		540,412	345,868
Attributable to:			
Owners of the parent		426,829	269,643
Non-controlling interests		113,583	76,225
		540,412	345,868
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	7	–	6,146
PROFIT FOR THE YEAR		540,412	352,014
Attributable to:			
Owners of the parent		426,829	281,328
Non-controlling interests		113,583	70,686
		540,412	352,014
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	8		
– For profit for the year		HK11.97 cents	HK10.42 cents
– For profit from continuing operations		HK11.97 cents	HK9.99 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PROFIT FOR THE YEAR	540,412	352,014
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	229,249	(50,771)
– Release upon disposal of subsidiaries	<u>(397)</u>	<u>8,526</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>769,264</u>	<u>309,769</u>
Attributable to:		
Owners of parent	611,311	264,294
Non-controlling interests	<u>157,953</u>	<u>45,475</u>
	<u>769,264</u>	<u>309,769</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		2,283,033	1,748,584
Right-of-use assets		395,842	334,519
Goodwill		295,482	279,586
Operating concessions		282,873	114,006
Other intangible assets		4,766	2,490
Prepayments, deposits and other receivables		69,519	115,379
Investment in a joint venture		37,223	32,144
Equity investment designated at fair value through other comprehensive income		5,952	–
Receivables under service concession arrangements		87,202	–
Trade receivables	<i>10</i>	34,826	24,663
Contract assets		60,818	42,388
Deferred tax assets		21,777	6,700
		<hr/>	<hr/>
Total non-current assets		3,579,313	2,700,459
CURRENT ASSETS			
Inventories		47,135	44,733
Receivables under service concession arrangements		14,835	–
Trade and bills receivables	<i>10</i>	1,097,393	775,332
Environmental decommissioning fees receivable	<i>11</i>	329,439	219,460
Contract assets		7,001	3,513
Other tax recoverable		173,904	66,693
Prepayments, deposits and other receivables		106,483	84,606
Due from related companies		4,059	3,233
Due from non-controlling shareholders		18,428	22,679
Restricted cash and pledged deposits		15,051	14,596
Cash and cash equivalents		1,725,283	1,051,896
		<hr/>	<hr/>
Total current assets		3,539,011	2,286,741
		<hr/>	<hr/>
TOTAL ASSETS		7,118,324	4,987,200

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CURRENT LIABILITIES			
Trade and bills payables	12	233,226	160,529
Other payables and accruals		966,421	825,663
Other taxes payable		30,523	22,623
Income tax payable		58,731	42,948
Due to related companies		1,310	1,876
Due to non-controlling shareholders		45,688	–
Interest-bearing bank and other borrowings	13	986,070	563,950
Total current liabilities		2,321,969	1,617,589
NET CURRENT ASSETS		1,217,042	669,152
TOTAL ASSETS LESS CURRENT LIABILITIES		4,796,355	3,369,611
NON-CURRENT LIABILITIES			
Deferred income		169,826	147,712
Other payables and accruals		119,449	116,526
Deferred tax liabilities		31,380	16,829
Interest-bearing bank and other borrowings	13	772,568	825,831
Provision for major overhauls		36,067	5,155
Total non-current liabilities		1,129,290	1,112,053
NET ASSETS		3,667,065	2,257,558
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	360,000	270,000
Reserves		2,651,527	1,543,820
		3,011,527	1,813,820
Non-controlling interests		655,538	443,738
TOTAL EQUITY		3,667,065	2,257,558

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from operating activities	672,918	635,541
Net cash flows used in investing activities	(1,013,506)	(258,448)
Net cash flows from financing activities	904,062	6,545
	<hr/>	<hr/>
Net increase in cash and cash equivalents	563,474	383,638
Cash and cash equivalents at beginning of year	1,051,896	677,249
Effect of foreign exchange rate changes, net	109,913	(8,991)
	<hr/>	<hr/>
Cash and cash equivalents at end of year	1,725,283	1,051,896
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NOTES

1.1 CORPORATE INFORMATION

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

In January 2020, the Company completed the global offering and listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and dealings of the Company’s shares on the Stock Exchange commenced on 15 January 2020.

The Company is an investment holding company. During the year, the 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

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss.

The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised HKFRSs for the first time for the current year's financial statements:

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 *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) 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.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“**RFR**”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. 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 hedging relationships.

- (d) 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any impact on the financial position and performance of the Group.
- (e) 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 organized into business units based on their products and services and has three reportable operating segments as follows:

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

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

	Environmental hygiene services		Hazardous waste treatment		Others		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue (Note 3)	2,820,959	1,968,023	483,073	540,498	216,015	202,707	3,520,047	2,711,228
Cost of sales	<u>(1,989,707)</u>	<u>(1,486,787)</u>	<u>(284,935)</u>	<u>(288,977)</u>	<u>(158,701)</u>	<u>(152,019)</u>	<u>(2,433,343)</u>	<u>(1,927,783)</u>
Gross profit	831,252	481,236	198,138	251,521	57,314	50,688	1,086,704	783,445
Segment results	630,384	274,778	123,271	219,157	47,372	36,119	801,027	530,054
Corporate and other unallocated income and expenses, net:								
– Interest income							74	60
– Other corporate gains							153	5,268
– Finance costs							(17,873)	(23,498)
– Corporate and other unallocated expenses							<u>(79,604)</u>	<u>(78,524)</u>
							<u>(97,250)</u>	<u>(96,694)</u>
Profit before tax from continuing operations							703,777	433,360
Income tax expense							<u>(163,365)</u>	<u>(87,492)</u>
Profit for the year from continuing operations							540,412	345,868
Segmental profit for the year from continuing operations	486,553	212,519	108,148	197,450	42,961	32,593	637,662	442,562
Non-controlling interests	<u>(85,157)</u>	<u>(34,144)</u>	<u>(11,393)</u>	<u>(29,214)</u>	<u>(17,033)</u>	<u>(12,867)</u>	<u>(113,583)</u>	<u>(76,225)</u>
Owners of the parent	401,396	178,375	96,755	168,236	25,928	19,726	524,079	366,337
Corporate and other unallocated income and expenses, net							<u>(97,250)</u>	<u>(96,694)</u>
							426,829	269,643
Other segment information:								
Share of profit of a joint venture	–	–	1,247	27	–	–	1,247	27
Impairment losses/(reversal of impairment losses) recognised in the consolidated statement of profit or loss, net	12,770	(354)	2,254	1,235	–	(139)	15,024	742
Depreciation and amortisation	238,118	157,595	42,156	47,949	36,341	10,212	316,615	215,756
Investment in a joint venture	–	–	37,223	32,144	–	–	37,223	32,144
Capital expenditure*	<u>555,479</u>	<u>421,173</u>	<u>423,953</u>	<u>531,188</u>	<u>27,312</u>	<u>26,762</u>	<u>1,006,744</u>	<u>979,123</u>

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

Geographical information

- (a) All of the Group's revenue from continuing operations from external customers was derived from the Group's operations in the PRC during the year.
- (b) Over 90% of the Group's non-current assets from continuing operations were derived from the Group's operations in the PRC during the year.

Information about major customers

During the years ended 31 December 2020 and 2019, no revenue from transaction with a single external customer contributed over 10% to the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Revenue from contract customers		
Environmental hygiene services		
– Environmental hygiene services	2,783,487	1,968,023
– Construction services	37,472	–
	<u>2,820,959</u>	<u>1,968,023</u>
Hazardous waste treatment businesses		
– Hazardous waste treatment services	281,833	285,739
– Sale of refined chemical and other products	201,240	254,759
	<u>483,073</u>	<u>540,498</u>
Sale of dismantled products	95,399	101,296
	<u>3,399,431</u>	<u>2,609,817</u>
Revenue from other source		
Environmental decommissioning fees income	120,616	101,411
	<u>3,520,047</u>	<u>2,711,228</u>
Other income and gains, net		
Interest income	15,944	8,338
Foreign exchange differences, net	–	70
Government grants	21,523	8,572
VAT refunds	11,910	25,879
Consultancy services provided	6,638	7,067
Gain on disposal of subsidiaries	1,543	2,841
Others	12,777	7,149
	<u>70,335</u>	<u>59,916</u>

4. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Cost of inventories sold*	291,506	320,053
Cost of services provided*	2,093,918	1,596,758
Depreciation of property, plant and equipment	237,550	175,497
Depreciation of right-of-use assets	30,721	28,888
Amortisation of intangible assets	425	399
Amortisation of operating concessions*	47,919	10,972
Impairment losses of trade receivables, net	4,934	742
Impairment on property, plant and equipment	2,150	–
Impairment on operating concession	7,940	–
Lease payments under short term leases	35,042	18,019
Loss/(gain) on disposal of items of property, plant and equipment	1,416	(3,249)
Auditor's remuneration	3,600	3,600
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	1,256,718	884,147
Pension scheme contributions	116,214	137,037
	<u>1,372,932</u>	<u>1,021,184</u>

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

5. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Interest on bank borrowings	66,574	59,519
Interest on other loans	2,942	8,369
Interest on lease liabilities	6,682	7,138
	<u>76,198</u>	<u>75,026</u>
Total interest on bank and other borrowings	76,198	75,026
Increase in discounted amounts of provision for major overhauls arising from the passage of time	2,094	236
	<u>78,292</u>	<u>75,262</u>
Total finance cost	78,292	75,262
Less: Interest capitalised	(6,258)	(2,919)
	<u>72,034</u>	<u>72,343</u>

6. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong for the year (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 year based on existing legislation, interpretations and practices in respect thereof. In accordance with the relevant tax rules and regulations of Mainland China, a number of the Company's subsidiaries enjoy income tax exemptions and reductions, by reasons that (1) these companies are engaged in the operations of environmental protection, energy and water conservation; and/or (2) they have operations in the Western region of Mainland China that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of Mainland China.

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current – Mainland China charge for the year	163,894	85,598
Deferred	(529)	1,894
	<hr/>	<hr/>
Total tax charge for the year from continuing operations	163,365	87,492
	<hr/>	<hr/>
Total tax charge for the year from discontinued operations	–	–
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	163,365	87,492
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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 shareholder 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.

The results of Binnan Group for the year ended 31 December 2019 prior to the disposal are presented below:

	2019 <i>HK\$'000</i>
Revenue	228,355
Cost of sales	(207,658)
Other income and gain	871
Administrative expenses	(24,434)
Other expenses	(569)
Finance costs	(7,868)
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Loss for the year	(11,303)
Gain on disposal of the discontinued operation	17,449
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Profit for the year from a discontinued operation	<u>6,146</u>

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 year ended 31 December 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 3,565,573,770 in issue during the year ended 31 December 2020 (the weighted average number of ordinary shares of 2,700,000,000 used for the year ended 31 December 2019 has assumed that the issue of new shares (note 14) of the Company had been completed on 1 January 2019).

The Group had no potential dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

Earnings	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(i) For profit for the year:		
Profit for the year attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>426,829</u>	<u>281,328</u>
(ii) For profit for the year from continuing operations:		
Profit for the year from continuing operations attributable to shareholders of the Company, used in the basic and diluted earnings per share calculations	<u>426,829</u>	<u>269,643</u>
Number of ordinary shares		
Weighted average number of ordinary shares, used in the basic and diluted earnings per share calculations	<u>3,565,573,770</u>	<u>2,700,000,000</u>

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2020 nor has any dividend been proposed since the end of the reporting period up to the date of this announcement (31 December 2019: Nil).

10. TRADE AND BILLS RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	1,123,563	802,140
Less: impairment	<u>(6,754)</u>	<u>(2,541)</u>
	<u>1,116,809</u>	<u>799,599</u>
Bills receivables	<u>15,410</u>	<u>396</u>
	<u>1,132,219</u>	<u>799,995</u>
Portion classified as current assets	<u>(1,097,393)</u>	<u>(775,332)</u>
Non-current portion	<u>34,826</u>	<u>24,663</u>

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	333,923	343,293
1 to 2 months	217,504	117,803
2 to 3 months	146,168	65,349
Over 3 months	<u>384,388</u>	<u>248,491</u>
	<u>1,081,983</u>	<u>774,936</u>
Unbilled	<u>34,826</u>	<u>24,663</u>
	<u>1,116,809</u>	<u>799,599</u>

11. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Environmental decommissioning fees receivable	<u>329,439</u>	<u>219,460</u>

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

The Group does not hold any collateral over these balances.

12. TRADE AND BILLS PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	225,936	126,821
Bills payable	<u>7,290</u>	<u>33,708</u>
	<u>233,226</u>	<u>160,529</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 1 month	117,148	89,516
1 to 2 months	62,499	3,899
2 to 3 months	4,216	3,738
Over 3 months	<u>42,073</u>	<u>29,668</u>
	<u>225,936</u>	<u>126,821</u>

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Secured bank loans	912,532	741,962
Unsecured bank loans	809,030	587,452
Secured other loan	33,504	54,517
Unsecured other loans	<u>3,572</u>	<u>5,850</u>
Total bank and other borrowings	1,758,638	1,389,781
Portion classified as current liabilities	<u>(986,070)</u>	<u>(563,950)</u>
Non-current portion	<u>772,568</u>	<u>825,831</u>

14. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares <i>HK\$'000</i>
Authorised:			
At 26 March 2019 (date of incorporation), 31 December 2019, and 31 December 2020	(i)	<u>30,000,000,000</u>	<u>3,000,000</u>
		Number of share in issue of HK\$0.1 each	Share capital <i>HK\$'000</i>
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)	<u>900,000,000</u>	<u>90,000</u>
At 31 December 2020		<u>3,600,000,000</u>	<u>360,000</u>

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.

- (ii) 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 on the same day.

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 by each of the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the year ended 31 December 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	Change %	2020 %	2019 %	Change %	2020 HK\$'000	2019 HK\$'000	Change %
Environment hygiene services	2,820,959	1,968,023	43.3%	29.5%	24.5%	5.0%	401,396	178,375	125.0%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	281,833	285,739	(1.4)%	46.1%	57.7%	(11.6)%	43,833	91,697	(52.2)%
– Recycling and reuse projects	201,240	254,759	(21.0)%	33.9%	34.0%	(0.1)%	52,922	76,539	(30.9)%
Subtotal	483,073	540,498	(10.6)%	41.0%	46.5%	(5.5)%	96,755	168,236	(42.5)%
Others	216,015	202,707	6.6%	26.5%	25.0%	1.5%	25,928	19,726	31.4%
Business results	3,520,047	2,711,228	29.8%	30.9%	28.9%	2.0%	524,079	366,337	43.1%
Corporate and other unallocated income and expenses, net							(97,250)	(96,694)	0.6%
Total							426,829	269,643	58.3%

IMPACTS OF COVID-19

In 2020, there was an outbreak of an infectious respiratory disease named “COVID-19” by the World Health Organization, which is caused by a novel coronavirus. The People’s Republic of China (the “**PRC**”) government has implemented various contingency measures and actions to prevent the spread of COVID-19 pandemic such as an extension of the Chinese New Year holiday, as well as travel and work restrictions in certain provinces and municipalities in China. The COVID-19 pandemic outbreak has caused a significant adverse impact to the economic and business environment in the PRC in the first half of 2020, but with the successful implementation of those contingency measures, the PRC economy was recovering in the second half of 2020.

The Group’s environmental hygiene services business was not affected by the COVID-19 pandemic in 2020. As the urbanization rate has been increasing in the PRC in recent years, which lead to the increasing demand for environmental hygiene services, the Group had won 23 new environmental hygiene services projects via tendering process in 2020, which led to an increase in revenue in this respect in 2020.

The Group’s hazardous waste treatment business was, however, adversely affected by the COVID-19 pandemic in the first half of 2020 as majority of the Group’s customers’ factories had ceased operations in the first few months of 2020. These customers had resumed operations gradually from the second quarter of 2020 and businesses have been recovering since then. Although the revenue from the Group’s hazardous waste treatment business in the second half of 2020 increased, the overall revenue for the year ended 31 December 2020 inevitably dropped when compared with 2019.

With the precautionary measures related to the COVID-19 pandemic continue in place in the PRC in 2021, the Group does not expect COVID-19 pandemic would have significant adverse impact to the Group’s operations in 2021.

BUSINESS REVIEW

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

Environmental hygiene services

Environmental hygiene services refer to services in relation to environmental hygiene maintenance and management, such as road cleaning, garbage collection and transportation, garbage transportation station management, public toilet management and other services. Generally, the Group utilizes existing public facilities, including garbage transportation stations and public toilets, to provide comprehensive environmental hygiene services. The Group's environmental hygiene services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services.

According to a report by Frost & Sullivan, a global market research and consulting firm, the size of China's environmental hygiene service market increased from RMB165.3 billion in 2015 to RMB305.5 billion in 2020, and is expected to further increase to RMB351.5 billion and RMB548.7 billion in 2021 and 2025, respectively.

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 only 15.2% of the total market in 2015 whereas the share of the enterprise sector as a percentage of the total market increased to 54.4% in 2020, and is expected to further increase to 78.2% in 2025.

As at 31 December 2020, the Group had 113 environmental hygiene services projects, the movements of which, during the year ended 31 December 2020, were as follow:

	Number of projects
As at 1 January 2020	97
Newly added	23
Terminated/ceased to operate	(7)
	<hr/>
As at 31 December 2020	113
	<hr/>

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

Operating Models	Number of projects
Operation & Maintenance (“ O&M ”)	108
Public-Private-Partnership (“ PPP ”)	
• Build-Transfer-Operate	1
• Transfer-Operate-Transfer	4
	<hr/>
Total	<u>113</u>

Under the O&M model, the Group acts as a third-party professional municipal operator for operation and maintenance for its customers, i.e., the local government, which usually outsource the municipal projects whose construction has been completed or nearly completed to the Group. Under the PPP model, the Group enters into operating concession arrangements with the local 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 year ended 31 December 2020, the Group successfully won a total of 23 new environmental hygiene services projects through public tenders with total contract value and estimated annual revenue amounting to approximately HK\$11.3 billion and HK\$1,048.1 million, respectively. During the year ended 31 December 2020, the Group had recorded a total amount of approximately HK\$543.3 million as revenue in respect of these 23 projects.

As at 31 December 2020, the Group had a total contracted area of approximately 194.4 million sq.m. (31 December 2019: 150.3 million sq.m.) with its environmental hygiene services projects, which created an average revenue of approximately HK\$13.1 per sq.m. (2019: HK\$10.7 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 charge them waste treatment fees. The Group's business mainly cover collection, transportation, storage and disposal of wastes such as medical waste and industrial solid waste.

According to a report by Frost & Sullivan, a global market research and consulting firm, from 2015 to 2020, the disposal volume of hazardous waste in China increased from 39.8 million tons to 83.0 million tons, representing a compound annual growth rate (“**CAGR**”) of 15.8%. 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.

As at 31 December 2020, the Group had 8 hazardous waste treatment projects in operation and 2 hazardous waste treatment projects in trial operation. As of 31 December 2020, treatment facilities of our projects that engaged in hazard-free waste disposal had a total designed treatment capacity of 338,718 tons per annum (2019: 370,396 tons) and treatment facilities of projects that engaged in recycling and reuse had a total designed treatment capacity of 250,000 tons per annum (2019: 250,000 tons). As of 31 December 2020, the Group also had 3 projects under construction and 3 projects planned for future construction.

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 31 December 2020, the Group had two revenue-generating waste electrical and electronic equipment treatment projects.

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

For the year ended 31 December 2020, revenue from our waste electrical and electronic equipment treatment business amounted to approximately HK\$216.0 million (2019: HK\$202.7 million), representing approximately 6.1% (2019: 7.5%) of our total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue from continuing operations increased by approximately 29.8% from approximately HK\$2,711.2 million for the year ended 31 December 2019 to approximately HK\$3,520.0 million for the year ended 31 December 2020, primarily due to increased revenue from the Group's environmental hygiene services projects.

Environmental hygiene services

During the year ended 31 December 2020, the Group recorded a total revenue of approximately HK\$2,821.0 million (2019: HK\$1,968.0 million) from its environmental hygiene services projects. As at 31 December 2020, the Group had a total of 113 environmental hygiene services projects (31 December 2019: 97).

The gross profit margin of the Group's environmental hygiene services projects increased significantly from 24.5% for the year ended 31 December 2019 to 29.5% for the year ended 31 December 2020, mainly because of:

- (i) increase in relief related to value-added-tax (“**VAT Relief**”) granted by the local government in the PRC due to the COVID-19 pandemic in the amount of approximately HK\$125.0 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; and

- (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, which resulted in the decrease in cost of sales in the amount of HK\$43.4 million (before taking into account the effect of corporate income tax and non-controlling interests of the respective projects).

The following table sets forth the financial impacts of the VAT Relief and the Other Relief on the revenue and gross profit margin of the Group's environmental hygiene services projects for the year ended 31 December 2020:

	For the year ended	
	31 December	
Environmental hygiene services	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2,820,959	1,968,023
Less: VAT Relief	(125,046)	–
Revenue excluding VAT Relief	<u>2,695,913</u>	<u>1,968,023</u>
Cost of sales	1,989,707	1,486,787
Add: Other Relief	43,420	–
Costs of sales excluding Other Relief	<u>2,033,127</u>	<u>1,486,787</u>
Gross profit excluding VAT Relief and Other Relief	662,786	481,236
Gross profit margin excluding VAT Relief and Other Relief	<u>24.6%</u>	<u>24.5%</u>

Hazardous waste treatment services

The Group's revenue from its hazardous waste treatment services decreased from approximately HK\$540.5 million for the year ended 31 December 2019 to approximately HK\$483.1 million for the year ended 31 December 2020. Due to the out-break of the COVID-19 pandemic in first half of 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 46.5% for the year ended 31 December 2019 to 41.0% for the year ended 31 December 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		
	2020	2019	Change	2020	2019	Change	2020	2019	Change
Revenue (HK\$'000)	281,833	285,739	(1.4)%	201,240	254,759	(21.0)%	483,073	540,498	(10.6)%
Less: Disposed subsidiaries*	-	(37,027)	N/A	-	-	N/A	-	(37,027)	N/A
	281,833	248,712	13.3%	201,240	254,759	(21.0)%	483,073	503,471	(4.1)%
Actual treatment/ sale volume (tons)	109,432	73,760	48.4%	71,315	85,994	(17.1)%	180,747	159,754	13.1%
Average sales price (HK\$)	2,575	3,372	(23.6)%	2,822	2,963	(4.8)%	2,673	3,152	(15.2)%

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

The actual treatment of the Group's hazard-free waste disposal projects increased from 73,760 tons for the year ended 31 December 2019 to 109,432 tons for the year ended 31 December 2020, whereas the average sales price decreased from HK\$3,372 per ton for the year ended 31 December 2019 to HK\$2,575 per ton for the year ended 31 December 2020.

The sales volume of the Group's recycling and reuse projects decreased from 85,994 tons for the year ended 31 December 2019 to 71,315 tons for the year ended 31 December 2020, and the average sales price decreased from HK\$2,963 per ton for the year ended 31 December 2019 to HK\$2,822 per ton for the year ended 31 December 2020 mainly because of the drop in the market price of methanol during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2020 increased to HK\$339.7 million, as compared to the corresponding period of last year of HK\$320.0 million. The increase was mainly due to (i) increase in salaries, wages and welfare from HK\$180.3 million in 2019 to HK\$191.7 million in 2020; and (ii) increase in rental expenses from HK\$5.2 million in 2019 to HK\$12.7 million in 2020 as a result of continuous business expansion.

Finance costs

Finance costs mainly represented interests on bank and other borrowings of HK\$72.0 million (2019: HK\$72.3 million). The slight decrease in finance costs was mainly due to the decrease in the effective interest rates charged to the Group during the year ended 31 December 2020.

Income tax expense

The income tax expense increased from HK\$87.5 million for the year ended 31 December 2019 to HK\$163.4 million for the year ended 31 December 2020, mainly because of the increase in the operating taxable profits of the Group's environmental hygiene services projects.

Discontinued operation

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

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles, construction on progress. The increase in property, plant and equipment for the year ended 31 December 2020 was mainly due to the net effect of (i) purchase of motor vehicles for environmental hygiene services projects in the amount of HK\$221.1 million; (ii) additions of construction in progress for hazardous waste treatment business in the amount of HK\$397.0 million; (iii) depreciation provided during the year ended 31 December 2020 in the amount of HK\$237.6 million; and (iv) change in exchange rate differences on foreign exchange translation in the amount of HK\$122.6 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 the net effect of (i) additions in buildings of HK\$11.4 million; (ii) additions in motor vehicles of HK\$18.6 million; (iii) additions in prepaid land lease premium of HK\$42.2 million; (iv) depreciation provided during the year ended 31 December 2020 in the amount of HK\$30.7 million; and (v) change in exchange rate differences on foreign exchange translation in the amount of HK\$19.8 million.

Goodwill

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

Operating concessions

Operating concessions represented arrangements involving the Group as a provider of environmental hygiene services on behalf of the relevant government agencies for a period of 15 to 28 years. Increase in operating concessions was mainly due to the net effect of (i) addition of an operating concession arrangement in the amount of HK\$259.8 million; (ii) amortisation of HK\$47.9 million charged to the consolidated statement of profit of loss; and (iii) reclassification to receivables under service concession arrangements in the amount of HK\$51.0 million.

Receivables under service concession arrangements

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

Trade and bills receivables

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

The following table sets forth the turnover days of our trade receivables:

	As of 31 December	
	2020	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 waste electrical and electronic equipment treatment services.

Contract assets

Contract assets represented the construction services in relation to Group's PPP projects for environmental hygiene services. Increase in the contract assets was mainly due to certain construction services had been provided and completed.

Prepayments, deposit and other receivables

Decrease in overall prepayments, deposit and other receivables was mainly due to (i) decrease of HK\$15.1 million in the guarantee deposits held by customers for environmental hygiene services projects; and (ii) decrease of HK\$14.3 million in the prepayments for acquisition of land use rights for hazardous waste treatment business projects.

Trade and bills payables

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

Other payables and accruals

Other payables and accruals mainly represented payable for acquisition of property, plant and equipment, accruals for the Group's expenses and lease liabilities. The increase was mainly due to the net effect of (i) increase in payables for acquisition of property, plant and equipment in the amount of HK\$194.6 million during the year; and (ii) settlement of consideration payables for the acquisition of a subsidiary in the amount of HK\$51.3 million.

Interest-bearing bank and other borrowings

Increase in bank and other borrowings was mainly due to drawdown of bank borrowings during the year ended 31 December 2020 for the purposes of development in the Group's environmental hygiene services and hazardous waste treatment businesses.

Liquidity and financial resources

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

As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately HK\$1,725.3 million (2019: approximately HK\$1,051.9 million).

As at 31 December 2020, the Group's bank and other borrowings amounted to HK\$1,758.6 million (31 December 2019: HK\$1,389.8 million).

The net gearing ratio (defined as bank and other borrowings, net of cash and cash equivalents, divided by the total equity) was 0.9% as at 31 December 2020 (31 December 2019: 15%). The decrease in the net gearing ratio as at 31 December 2020 was mainly due to the strong financial performance and operating net cash inflow during the year.

Capital expenditure

During the year ended 31 December 2020, the Group's total capital expenditures were HK\$1,006.7 million (2019: HK\$979.1 million), out of which HK\$672.2 million, HK\$2.5 million, HK\$72.2 million and HK\$259.8 million (2019: HK\$785.3 million, HK\$2.1 million, HK\$125.7 million and HK\$66.0 million) were paid for the additions of property, plant and equipment, other intangible assets, right-of-use assets and operating concessions, respectively.

FUTURE OUTLOOK

Looking forward, 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 2021.

In respect of the Group's environmental hygiene services business, the Group intends to participate in more tendering process for new projects, expands into new markets and seeks the opportunities to expand the services to certain related business areas, such as recycling, sorting, greenway maintenance and reuse of municipal waste as a result of increasing urbanization in the PRC. The Group's hazardous waste treatment services business was inevitably adversely affected in 2020 due to the outbreak of the COVID-19 pandemic. However, the PRC economy is expected to recover quickly as the trend of recovery has been noted since the second half of 2020 and expected to continue in 2021.

CHARGES ON THE GROUP'S ASSETS

The secured bank and other borrowings of the Group as at 31 December 2020 are secured by:

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

Save as disclosed above, as at 31 December 2020, the Group did not have any charges on the Group's assets.

CONTINGENT LIABILITIES

As at the end of the reporting period, the Group did not have any significant contingent liabilities (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 year ended 31 December 2020, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 39,406 employees (2019: 33,242 employees) with total staff cost of approximately HK\$1,372.9 million incurred for the year ended 31 December 2020 (2019: approximately HK\$1,021.2 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. Salaries are normally reviewed on an annual basis based on performance appraisals and other relevant factors.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES

There were no significant investments, material acquisition and disposal of subsidiaries by the Group for the year ended 31 December 2020.

For the year ended 31 December 2019, the Group disposed of its entity interests in the Binnan Group. For details, please refer to note 7 to the consolidated financial information in this announcement.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REPORTING PERIOD

There was no important event affecting the Group since 31 December 2020 and up to the date of this announcement.

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. 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 31 December 2020, the IPO Proceeds were utilised according to the intentions previously disclosed by the Company as follows:

	Intended use of proceeds <i>HK\$ million</i>	Actual amount utilised from Listing Date to 31 December 2020 <i>HK\$ million</i>	Unutilised amount as at 31 December 2020 <i>HK\$ million</i>	Expected timeline for utilising the unutilised amount
Purchase of equipment and facilities for hazardous waste treatment projects				
– Incineration system	191.1	101.3	89.8	
– Wastewater and liquid waste flocculation and purification system	11.2	11.2	–	
– Deodorization system	13.4	4.6	8.8	
Sub-total	215.7	117.1	98.6	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	49.8	–	N/A
Total	603.4	504.8	98.6	

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

DIVIDEND

The Board does not recommend the distribution of a final dividend for the year ended 31 December 2020 (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 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS – ANNUAL GENERAL MEETING

The register of members will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting of the Company to be held on Friday, 4 June 2021, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 31 May 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Company adopted the code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). In the opinion of the Board, for the period from the Listing Date to 31 December 2020, save as the deviations as described below, the Company had complied with all the applicable code provisions set out in the CG Code.

Code Provision A.1.1 of the CG Code stipulates that the Board should hold at least four Board meetings a year. For the period from the Listing Date to 31 December 2020, the Company held two Board meetings and the Board has made resolutions by circulation of written resolutions from time to time. As there is no significant business development that needs to bring to the attention of the Board immediately, circulation of written materials to keep the Board informed throughout the period from the Listing Date to 31 December 2020 is considered to be sufficient. Such measure has been taken to ensure that there is efficient communication among the Directors.

Code Provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. Due to other business engagements, the chairman of the Board did not attend the annual general meeting of the Company held on 5 June 2020. In his absence, a non-executive director of the Company was invited to chair the meeting and answer shareholders' questions about the Group's matter.

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date to 31 December 2020.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Mr. Orr Ka Yeung, Kevin and Mr. Du Huanzheng. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The annual results of the Group for the year ended 31 December 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.

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

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Company's auditor to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2020. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently, no assurance has been expressed by the Company's auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

By Order of the Board
Beijing Enterprises Urban Resources Group Limited
Zhao Kexi
Executive Director and Chief Executive Officer

Hong Kong, 26 March 2021

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