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Beijing Enterprises Urban Resources Group Limited

北控城市資源集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3718)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

HIGHLIGHTS

- The Group recorded a revenue of approximately RMB2,687.8 million for the six months ended 30 June 2024, representing an increase of approximately 20.2% as compared with that of approximately RMB2,236.2 million for the six months ended 30 June 2023.
- Profit for the year attributable to shareholders of the Company decreased by approximately 24.5% to approximately RMB128.5 million for the six months ended 30 June 2024 as compared to approximately RMB170.2 million for the six months ended 30 June 2023.
- Basic and diluted earnings per share for the six months ended 30 June 2024 were approximately RMB3.61 cents (six months ended 30 June 2023: RMB4.73 cents).
- During the six months ended 30 June 2024, the Group acquired 85% equity interest in Shiny Glory. As at 30 June 2024, Shiny Glory had a total of 38 urban service projects with total contract value and estimated annual revenue amounting to approximately RMB2.0 billion and RMB752.0 million, respectively.
- Interim dividend of HK1.2 cents per share is declared for the six months ended 30 June 2024 (six months ended 30 June 2023: HK1.2 cents). Interim dividend payout ratio is approximately 30.2%.

The board (the “**Board**”) of directors (the “**Directors**”) of Beijing Enterprises Urban Resources Group Limited (the “**Company**”) hereby announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 and the unaudited interim condensed consolidated statement of financial position as at 30 June 2024, together with comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
REVENUE	3	2,687,769	2,236,208
Cost of sales		<u>(2,130,923)</u>	<u>(1,721,450)</u>
Gross profit		556,846	514,758
Other income and gains, net	3	26,407	39,838
Administrative expenses		(282,230)	(211,521)
Selling and distribution expenses		(12,080)	(13,146)
Other expenses, net		(22,087)	(8,536)
Finance costs	5	(55,846)	(55,671)
Share of losses of joint ventures		<u>(1,104)</u>	<u>(992)</u>
PROFIT BEFORE TAX	4	209,906	264,730
Income tax expense	6	<u>(58,485)</u>	<u>(67,232)</u>
PROFIT FOR THE PERIOD		<u>151,421</u>	<u>197,498</u>
Attributable to:			
Owners of the parent		128,499	170,153
Non-controlling interests		<u>22,922</u>	<u>27,345</u>
		<u>151,421</u>	<u>197,498</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted	7	<u>RMB3.61 cents</u>	<u>RMB4.73 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2024

	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
PROFIT FOR THE PERIOD	<u>151,421</u>	<u>197,498</u>
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of foreign operations	<u>(6,234)</u>	<u>(82,942)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
– Translation of the Company	<u>5,289</u>	<u>67,688</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX	<u>(945)</u>	<u>(15,254)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>150,476</u>	<u>182,244</u>
Attributable to:		
Owners of the parent	127,554	154,899
Non-controlling interests	<u>22,922</u>	<u>27,345</u>
	<u>150,476</u>	<u>182,244</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*30 June 2024*

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		2,659,602	2,609,776
Right-of-use assets		298,922	309,073
Goodwill		254,387	247,954
Service concession arrangements		459,979	482,197
Other intangible assets		25,437	15,962
Prepayments, deposits and other receivables		104,997	69,527
Investments in joint ventures		42,249	35,816
Equity investment designated at fair value through other comprehensive income		5,000	5,000
Deferred tax assets		87,640	66,228
		<hr/>	<hr/>
Total non-current assets		3,938,213	3,841,533
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		92,386	54,117
Trade and bills receivables	<i>9</i>	2,955,751	2,494,426
Environmental decommissioning fees receivable	<i>10</i>	385,827	367,497
Other tax recoverable		135,209	150,413
Prepayments, deposits and other receivables		194,870	125,989
Restricted cash and pledged deposits		11,486	12,068
Cash and cash equivalents		1,233,561	1,080,749
		<hr/>	<hr/>
Total current assets		5,009,090	4,285,259
		<hr/>	<hr/>
TOTAL ASSETS		8,947,303	8,126,792
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and bills payables	11	593,951	447,062
Other payables and accruals		1,096,559	809,990
Other taxes payable		31,306	33,340
Income tax payable		51,890	33,439
Interest-bearing bank borrowings	12	1,445,198	1,270,109
Total current liabilities		3,218,904	2,593,940
NET CURRENT ASSETS		1,790,186	1,691,319
TOTAL ASSETS LESS CURRENT LIABILITIES		5,728,399	5,532,852
NON-CURRENT LIABILITIES			
Deferred income		154,381	160,092
Other payables and accruals		54,336	62,960
Deferred tax liabilities		57,059	42,190
Interest-bearing bank borrowings	12	1,416,695	1,292,030
Provision for major overhauls		126,041	123,532
Total non-current liabilities		1,808,512	1,680,804
Net assets		3,919,887	3,852,048
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	313,584	317,405
Reserves		2,906,456	2,844,375
Non-controlling interests		3,220,040 699,847	3,161,780 690,268
Total equity		3,919,887	3,852,048

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1.1 CORPORATE INFORMATION

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

Beijing Enterprises Water Group Limited, which is a limited liability company incorporated in Bermuda and shares of which are listed on the Main Board of the Stock Exchange, is the ultimate and immediate holding company of the Company.

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

- provision of urban 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

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and compliance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). It is unaudited but has been reviewed by the audit committee of the Company (the “**Audit Committee**”).

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

Change of presentation currency

The Company’s presentation currency for its consolidated financial statements has been changed from Hong Kong dollars (“**HK\$**”) to Renminbi (“**RMB**”) from 1 January 2023. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2023, and certain explanatory notes have been restated to conform with the current period presentation.

1.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “2020 Amendments”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “2022 Amendments”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flow and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the 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 urban services segment provides urban environmental governance services and construction 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 attributable to owners of the parent. The adjusted profit for the period attributable to owners of the parent is measured consistently with the Group's profit for the period attributable to owners of the parent except that corporate and other unallocated income and expenses are excluded from such measurement.

	Urban services		Hazardous waste treatment		Others		Total	
	for the six months ended 30 June		for the six months ended 30 June		for the six months ended 30 June		for the six months ended 30 June	
	2024	2023	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)		(Restated)		(Restated)
Segment revenue (Note 3)	2,402,168	1,906,811	228,956	269,688	56,645	59,709	2,687,769	2,236,208
Cost of sales	(1,865,278)	(1,452,354)	(218,691)	(215,054)	(46,954)	(54,042)	(2,130,923)	(1,721,450)
Gross profit	<u>536,890</u>	<u>454,457</u>	<u>10,265</u>	<u>54,634</u>	<u>9,691</u>	<u>5,667</u>	<u>556,846</u>	<u>514,758</u>
Segment results	<u>291,962</u>	<u>281,572</u>	<u>(43,996)</u>	<u>11,949</u>	<u>6,576</u>	<u>9,291</u>	<u>254,542</u>	<u>302,812</u>
Corporate and other unallocated income and expenses, net:								
– Interest income							142	883
– Other corporate gains							270	836
– Finance costs							(29,367)	(27,748)
– Corporate and other unallocated expenses							(15,681)	(12,053)
							<u>(44,636)</u>	<u>(38,082)</u>
Profit before tax							209,906	264,730
Income tax expense							(58,485)	(67,232)
Profit for the period							<u>151,421</u>	<u>197,498</u>
Segmental profit for the period	233,281	219,890	(43,800)	6,403	6,576	9,287	196,057	235,580
Non-controlling interests	(31,160)	(30,952)	10,672	7,175	(2,434)	(3,568)	(22,922)	(27,345)
Owners of the parent	<u>202,121</u>	<u>188,938</u>	<u>(33,128)</u>	<u>13,578</u>	<u>4,142</u>	<u>5,719</u>	<u>173,135</u>	<u>208,235</u>
Corporate and other unallocated income and expenses, net							<u>(44,636)</u>	<u>(38,082)</u>
							<u>128,499</u>	<u>170,153</u>
Other segment information:								
Share of profit/(loss) of joint ventures	264	(40)	(1,368)	(952)	–	–	(1,104)	(992)
Impairment losses and write-down of inventory to net realisable value recognised in the condensed consolidated statement of profit or loss, net	4,362	2,500	6,955	2,161	–	–	11,317	4,661
Depreciation and amortisation	211,970	206,933	71,854	55,343	1,975	2,860	285,799	265,136
Capital expenditure*	<u>242,501</u>	<u>186,389</u>	<u>67,403</u>	<u>116,001</u>	<u>441</u>	<u>194</u>	<u>310,345</u>	<u>302,584</u>

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, service concession arrangements and other intangible assets.

Geographical information

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

Information about major customers

During the six months ended 30 June 2024 and 2023, no revenue from transactions with a single external customer contributed over 10% of the total revenue of the Group.

3. REVENUE, OTHER INCOME AND GAINS, NET

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

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Revenue from contracts with customers			
Urban services			
– Urban environmental governance services	(a)	2,392,808	1,906,811
– Construction services	(a)	9,360	–
		<u>2,402,168</u>	<u>1,906,811</u>
Hazardous waste treatment businesses			
– Hazard-free waste disposal services	(a)	171,606	155,805
– Sale of recycling and reuse products	(a)	57,350	113,883
		<u>228,956</u>	<u>269,688</u>
Sale of dismantled products	(a)	<u>37,513</u>	<u>38,444</u>
		2,668,637	2,214,943
Revenue from other source			
Environmental decommissioning fees income		<u>19,132</u>	<u>21,265</u>
		<u>2,687,769</u>	<u>2,236,208</u>
Other income and gains, net			
Interest income		3,809	7,763
Government grants	(b)	9,914	8,510
VAT refunds	(c)	1,993	3,383
VAT super deduction	(d)	1,131	10,885
Consultancy services provided	(a)	3,851	–
Sale of scrap materials		633	2,614
Others		5,076	6,683
		<u>26,407</u>	<u>39,838</u>

Notes:

(a) Disaggregated revenue information

Revenue from urban environmental governance services, construction services and consultancy services is recognised over time. Revenue from hazard-free waste disposal services, sale of recycling and reuse products and sale of dismantled products is recognised at a point in time.

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

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

(d) Certain subsidiaries are also entitled to additional VAT super deductions ranging from 5% to 15% of the input VAT under the rules issued by the PRC State Administration of Taxation, the Ministry of Finance and the General Administration of Customs China.

4. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Cost of inventories sold*	127,334	175,134
Cost of services provided*	1,972,011	1,522,145
Depreciation of property, plant and equipment	230,691	222,216
Depreciation of right-of-use assets	21,580	18,220
Amortisation of service concession arrangements*	31,578	24,171
Amortisation of intangible assets	1,950	529
Impairment losses of trade receivables, net [#]	6,028	3,000
Write-down of inventories to net realisable value [#]	5,289	1,661
(Gain)/loss on disposal of items of property, plant and equipment [#]	(147)	304
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Salaries and benefits in kind	1,417,324	1,014,244
Pension scheme contributions	165,051	130,646
	1,582,375	1,144,890

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

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
Interest on bank borrowings	57,456	55,550
Interest on lease liabilities	1,817	2,211
	<hr/>	<hr/>
Total interest on bank borrowings	59,273	57,761
Increase in discounted amounts of provision for major overhauls arising from the passage of time	2,077	2,433
	<hr/>	<hr/>
Total finance costs	61,350	60,194
Less: Interest capitalised	(5,504)	(4,523)
	<hr/>	<hr/>
	55,846	55,671
	<hr/> <hr/>	<hr/> <hr/>

6. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made during the six months ended 30 June 2024 as the Group did not generate any assessable profits in Hong Kong during the period (six months ended 30 June 2023: Nil).

The income tax provisions in respect of operations in Chinese Mainland 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 Chinese Mainland, 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 Chinese Mainland that are qualified for a 15% concessionary corporate income tax rate for a prescribed period of time pursuant to the "Circular of the State Council on Policies and Measures Concerning the Large-scale Development of China's Western Regions" (Guo Fa [2000] No. 33) issued by the State Council of PRC.

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
Current – Chinese Mainland	65,042	70,476
Deferred	(6,557)	(3,244)
	<hr/>	<hr/>
Total tax charge for the period	58,485	67,232
	<hr/> <hr/>	<hr/> <hr/>

7. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the six months ended 30 June 2024 attributable to shareholders of the Company and the weighted average number of ordinary shares of 3,559,637,495 in issue during the six months ended 30 June 2024 (six months ended 30 June 2023: 3,600,000,000).

The Group had no potential dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

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

	For the six months ended 30 June	
	2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited) (Restated)
Earnings		
Profit for the period attributable to shareholders of the Company, used in the basic and diluted earnings per share calculation	<u>128,499</u>	<u>170,153</u>
Number of ordinary shares		
Weighted average number of ordinary shares in issue, used in the basic and diluted earnings per share calculation	<u>3,559,637,495</u>	<u>3,600,000,000</u>

8. DIVIDENDS

On 27 August 2024, the Board declared an interim dividend of HK1.2 cents (six months ended 30 June 2023: HK1.2 cents) per ordinary share amounting to a total of approximately HK\$42,680,000 (equivalent to RMB38,838,000) (six months ended 30 June 2023: HK\$43,200,000 (equivalent to RMB39,744,000)).

9. TRADE AND BILLS RECEIVABLES

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Trade receivables	3,005,114	2,536,528
Less: Impairment	<u>(61,702)</u>	<u>(55,674)</u>
	2,943,412	2,480,854
Bills receivable	<u>12,339</u>	<u>13,572</u>
Total	<u>2,955,751</u>	<u>2,494,426</u>

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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	1,140,360	1,130,234
4 to 6 months	629,518	507,607
7 to 12 months	716,277	536,089
Over 1 year	457,257	306,924
	<u>2,943,412</u>	<u>2,480,854</u>
Total	<u>2,943,412</u>	<u>2,480,854</u>

10. ENVIRONMENTAL DECOMMISSIONING FEES RECEIVABLE

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Environmental decommissioning fees receivable	385,827	367,497
	<u>385,827</u>	<u>367,497</u>

The balance represented government subsidies receivable from the Central Government of the PRC (the "Central Government") for the waste electrical and electronic equipment treatment services. The Group submits the quantities and products dismantled to the government online system on a weekly basis. The Central Government would appoint independent auditors to perform fieldwork audit quarterly or semi-annually, depending on the province practice, to verify the submitted details in the online system posted by the dismantling entities. Audit report would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notices on its website the quantities of appliances being 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 4 to 5 years.

The Group does not hold any collateral over these balances.

11. TRADE AND BILLS PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables	583,951	437,062
Bills payable	10,000	10,000
	<u>593,951</u>	<u>447,062</u>
Total	<u>593,951</u>	<u>447,062</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	330,625	107,088
1 to 2 months	33,061	55,379
2 to 3 months	29,590	51,362
Over 3 months	190,675	223,233
Total	583,951	437,062

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

12. INTEREST-BEARING BANK BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Secured bank loans	819,923	794,870
Unsecured bank loans	2,041,970	1,767,269
Total bank borrowings	2,861,893	2,562,139
Portion classified as current liabilities	(1,445,198)	(1,270,109)
Non-current portion	1,416,695	1,292,030

13. SHARE CAPITAL

	Number of ordinary shares of HK\$0.1 each	Nominal value of ordinary shares HK\$'000
Authorised:		
At 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	30,000,000,000	3,000,000

During the period, the movement in the share capital account of the Company was summarised as follows:

	Number of shares in issue of HK\$0.1 each	Share capital RMB'000
Issued and fully paid:		
At 1 January 2023, 31 December 2023, 1 January 2024	3,600,000,000	317,405
Cancellation of shares repurchased (<i>Note 2</i>)	(43,336,000)	(3,821)
At 30 June 2024	3,556,664,000	313,584

Note 1: During the six months ended 30 June 2024, the Company repurchased its own ordinary shares of 39,700,000 on the Stock Exchange at an aggregate consideration of approximately HK\$22,569,000 (equivalent to RMB20,746,000) (before expenses).

Note 2: A total of 43,336,000 ordinary shares repurchased were cancelled during the six months ended 30 June 2024 (2023: Nil).

FINANCIAL HIGHLIGHTS

The analysis of the Group's financial results, by business segments, for the six months ended 30 June 2024 and 2023 is set out in details below:

	Revenue			Gross profit margin			Profit/(loss) attributable to shareholders of the Company		
	2024 RMB'000	2023 RMB'000	Change %	2024 %	2023 %	Change %	2024 RMB'000	2023 RMB'000	Change %
Urban services									
– Urban Environmental Governance Services	2,392,808	1,906,811	25.5%	22.4%	23.8%	(1.4)%			
– Construction Services	9,360	–	N/A	8.0%	N/A	N/A			
Subtotal	2,402,168	1,906,811	26.0%	22.4%	23.8%	(1.4)%	202,121	188,938	7.0%
Hazardous waste treatment business									
– Hazard-free waste disposal projects	171,606	155,805	10.1%	4.4%	19.7%	(15.3)%	(30,611)	6,466	N/A
– Recycling and reuse projects	57,350	113,883	(49.6)%	4.8%	21.1%	(16.3)%	(2,517)	7,112	N/A
Subtotal	228,956	269,688	(15.1)%	4.5%	20.3%	(15.8)%	(33,128)	13,578	N/A
Others	56,645	59,709	(5.1)%	17.1%	9.5%	7.6%	4,142	5,719	(27.6)%
Business results	<u>2,687,769</u>	<u>2,236,208</u>	20.2%	20.7%	23.0%	(2.3)%	<u>173,135</u>	<u>208,235</u>	(16.9)%
Corporate and other unallocated income and expenses, net							(44,636)	(38,082)	17.2%
Total							<u>128,499</u>	<u>170,153</u>	(24.5)%

BUSINESS REVIEW

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

The coverage of the Group's businesses have extended to 19 provinces, 4 autonomous regions, 2 municipalities and 1 special administrative region all across Greater China.

Urban services

Urban 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 urban services. The Group's urban services primarily cover comprehensive road cleaning, garbage sorting, garbage collection and transportation, garbage transportation station management, public toilet management, manure collection and transportation, greenway maintenance, river cleaning services and property management services (the "Urban environmental governance services").

As at 30 June 2024, the Group had 224 urban service projects, the movements of which, during the six months ended 30 June 2024, were as follow:

	Chinese Mainland projects	Hong Kong projects	Total number of projects
As at 1 January 2024	186	–	186
Newly added	10	–	10
Terminated to operate	(10)	–	(10)
Acquisition of a subsidiary (<i>note</i>)	–	38	38
	<hr/>	<hr/>	<hr/>
As at 30 June 2024	<u>186</u>	<u>38</u>	<u>224</u>

Note:

Since Shiny Glory was acquired on 25 June 2024, no material financial performance was accounted for in consolidated profit or loss of the Group for the six months ended 30 June 2024.

The Group operates its urban service projects under the following models:

Operating Models	Chinese Mainland projects	Hong Kong projects	Total number of projects
Operation & Maintenance (“O&M”)			
• Urban Butler Integrated Service Project	8	–	8
• Comprehensive Cleaning Project	83	2	85
• Traditional Environmental Hygiene Service Project	88	36	124
Public-Private-Partnership (“PPP”)			
• Build-Operate-Transfer (“BOT”)	3	–	3
• Transfer-Operate-Transfer	4	–	4
	<hr/>	<hr/>	<hr/>
Total	<u>186</u>	<u>38</u>	<u>224</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. With the rising specifications and requirements for urban governance stipulated by the policies in the PRC, improving the operational efficiency of urban management, enhancing the efficiency of the utilization of financial funds and reducing the cost of public services have become the core demands of the government competent authorities. Based on traditional environmental hygiene Services, the Group has expanded its business boundary horizontally to strengthen its urban service capabilities on all fronts. Through the integration of its industrial chain, the Group has effectively integrated government services such as full regional sweeping and cleaning, garbage sorting, resource utilization, municipal maintenance, greening management and maintenance, garbage sorting and transportation, cityscape management and control, and digital urban management, thereby building a new urban management mode of “management + service + operation”. The Group has developed an independent smart urban management platform to create the smart urban butler integrated service.

As of 30 June 2024, the Group had a total of 8 urban butler projects in operation, with an annual service fee amounting to approximately RMB1.2 billion and a total contract value exceeding RMB8 billion, which demonstrated the Group's "leading position" as an urban butler in the industry. In the future, the Group will continue to focus on urban butler projects and expand the depth and breadth of such business.

Under the PPP model, the Group enters into operating concession arrangements with the local governments which regulate the scope and price of services that the Group provides by utilising the assets, and also set out the treatment of any significant residual interests in the assets at the end of the term of the arrangements.

During the six months ended 30 June 2024, the Group successfully won a total of 10 urban service projects through public tenders with total contract value and estimated annual revenue amounting to approximately RMB2.9 billion and RMB405.1 million, respectively. During the six months ended 30 June 2024, the Group had recorded a total amount of approximately RMB32.6 million as revenue in respect of these projects.

On 25 June 2024, the Group completed the acquisition of Shiny Glory at a total consideration of HK\$44,171,000. Shiny Glory became a subsidiary of the Company and the financial results of which shall be consolidated into financial statements of the Group since then. Shiny Glory is a well-established service provider for urban services, including (a) cleaning services; (b) pest management services; (c) waste management and recycling services in Hong Kong. As at 30 June 2024, Shiny Glory had a total of 38 urban service projects with total contract value and estimated annual revenue amounting to approximately RMB2.0 billion and RMB752.0 million, respectively. The Directors consider that the acquisition of Shiny Glory will enable the Group to achieve rapid growth of environmental sanitation services in the Hong Kong market and accelerate our accumulation of service operation experience in similar projects overseas, thus being an important initiative for the Group to achieve leapfrog development.

Hazardous waste treatment business

Hazardous waste treatment business comprises the provision of hazard-free waste disposal services and sale of recycling and reuse products.

Disposal is mainly used for waste on which no other proper treatment methods are available. Hazard-free waste disposal aims to eliminate or minimise negative effect that hazardous waste may have on the environment. Landfill and incineration are two of the most common treatment methods for solid hazardous waste. For liquid hazardous waste, common treatment methods include flocculation and purification. Before being disposed of, hazardous waste needs to undergo certain pretreatment methods based on its nature. Common pretreatment methods include physical-chemical and solidification or stabilization.

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

By recycling waste methanol and mixed alcohol acquired by the Group, through its advanced recycling and reuse technology, the Group is able to produce related products such as methanol, ethanol, propanol and butanol and generates revenue from sales of these products. In addition, the reutilization technology also covers the storage, transportation, treatment, dehydration and product separation systems of silicon copper slag and etching solution wastewater, deodorization facilities and related auxiliary facilities. The wet disposal process is used to separate and recycle silicon copper slag, which becomes a useful supplement to the hazard-free business.

As at 30 June 2024, the Group had 11 hazardous waste treatment projects in operation (31 December 2023: 11 projects). As of 30 June 2024, the total design treatment capacity of treatment facilities that engaged in hazard-free disposal is 423,366 tons per annum (31 December 2023: 423,366 tons) and total design treatment capacity of treatment facilities that engaged in recycling and reuse is 270,000 tons per annum (31 December 2023: 270,000 tons).

Other business

Other business represents waste electrical and electronic equipment treatment business. As of 30 June 2024, 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 2024, revenue from our waste electrical and electronic equipment treatment business amounted to approximately RMB56.6 million (six months ended 30 June 2023: RMB59.7 million), representing approximately 2.1% (six months ended 30 June 2023: 2.7%) of the Group's total revenue.

FINANCIAL PERFORMANCE

Revenue and gross profit margin

The Group's total revenue increased by approximately 20.2% from approximately RMB2,236.2 million for the six months ended 30 June 2023 to approximately RMB2,687.8 million for the six months ended 30 June 2024, primarily due to increase in revenue from the Group's urban services.

The Group's gross profit margin decreased from 23.0% for the six months ended 30 June 2023 to 20.7% for the six months ended 30 June 2024, primarily due to decrease in gross profit margin from hazardous waste treatment business and urban services.

Urban services

During the six months ended 30 June 2024, the Group recorded a total revenue of RMB2,402.2 million (six months ended 30 June 2023: RMB1,906.8 million). As at 30 June 2024, the Group had a total of 224 urban service projects (30 June 2023: 152).

The gross profit margin of the Group's urban services decreased from 23.8% for the six months ended 30 June 2023 to 22.4% for the six months ended 30 June 2024.

The following table sets forth an analysis of the gross profit margin of the Group's urban services:

	Urban environmental governance services			Construction services			Total		
	2024	2023	Change	2024	2023	Change	2024	2023	Change
Revenue (RMB'000)	2,392,808	1,906,811	25.5%	9,360	–	N/A	2,402,168	1,906,811	26.0%
Gross profit margin	22.4%	23.8%	(1.4)%	8.0%	–	N/A	22.4%	23.8%	(1.4)%

- Urban Environmental Governance Services

During the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB2,392.8 million (six months ended 30 June 2023: RMB1,906.8 million) from its urban services projects. The increase was mainly attributable to the greater number of urban services projects successfully won through public tenders.

The Group commenced operations of several urban service projects obtained in the second half of 2023. These projects were currently in the early operational stage, incurring high preliminary costs, such as temporary motor vehicle rentals, temporary workers and consumables. Accordingly, the gross profit margin of the Group's urban services slightly decreased from 23.8% for the six months ended 30 June 2023 to 22.4% for the six months ended 30 June 2024.

- Construction services

During the six months ended 30 June 2024, the Group had 2 service concession contracts on a BOT basis in respect of its urban services. These urban services facilities under construction were located in Shandong Province and Hebei Province, respectively. During the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB9.4 million (six months ended 30 June 2023: Nil) from its construction services for urban services projects.

The gross profit margin of construction services was approximately 8.0% (six months ended 30 June 2023: Nil). Under HK(IFRIC)-Int 12 Service Concession Arrangements, the Group recognises the construction revenue with reference to the fair value of the construction service delivered in the building phase. Construction revenue is recognised over time, using an input method.

Hazardous waste treatment services

During the six months ended 30 June 2024, the Group recorded a total revenue of RMB229.0 million (six months ended 30 June 2023: RMB269.7 million) from its hazardous waste treatment services projects.

The Group's gross profit margin of its hazardous waste treatment services projects decreased from 20.3% for the six months ended 30 June 2023 to 4.5% for the six months ended 30 June 2024.

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

	Hazard-free waste disposal projects			Recycling and reuse projects			Total		
	Six months ended 30 June		Change	Six months ended 30 June		Change	Six months ended 30 June		Change
	2024	2023		2024	2023		2024	2023	
Revenue (RMB'000)	171,606	155,805	10.1%	57,350	113,883	(49.6)%	228,956	269,688	(15.1)%
Actual treatment/sale volume (tons)	136,683	102,249	33.7%	19,074	25,730	(25.9)%	155,757	127,979	21.7%
Average sales price (RMB/ton)	<u>1,256</u>	<u>1,524</u>	<u>(17.6)%</u>	<u>3,007</u>	<u>4,426</u>	<u>(32.1)%</u>	<u>1,470</u>	<u>2,107</u>	<u>(30.2)%</u>

- Hazard-free waste disposal projects

As at 30 June 2024, the Group has 8 hazard-free waste disposal projects in operation. The plants were mainly located in Shandong Province, Sichuan Province and Jiangsu Province.

The actual treatment volume of the Group's hazard-free waste disposal projects increased from 102,249 tons for the six months ended 30 June 2023 to 136,683 tons for the six months ended 30 June 2024. The increase was mainly attributable to the increase in actual treatment volume treated by the Group's Industrial Hazardous Waste Treatment Project in Zigong City, Sichuan Province* (自貢市工業危險廢物處置項目), and Suining Hazardous Waste Treatment Project in Xuzhou City, Jiangsu Province* (江蘇省徐州市睢寧危險廢物處置項目), both of which commenced operations in the second half of 2023.

The average sales price of the Group's hazard-free waste disposal projects decreased from RMB1,524 per ton for the six months ended 30 June 2023 to RMB1,256 per ton for the six months ended 30 June 2024. The decrease was primarily due to (i) more competitors entering the hazard-free waste disposal business; and (ii) reduced production by upstream industrial enterprises, leading to decrease in demand for hazard-free waste treatment services.

The gross profit margin of the Group's hazard-free waste disposal projects decreased to 4.4% for the six months ended 30 June 2024 (six months ended 30 June 2023: 19.7%). The decrease was mainly attributable to (i) decrease in average sales price from RMB1,524 per ton for the six months ended 30 June 2023 to RMB1,256 per ton for the six months ended 30 June 2024; and (ii) decrease in utilisation rates of treatment capacities of the Group's hazard-free waste disposal projects.

- Recycling and reuse projects

As at 30 June 2024, the Group had 3 recycling and reuse projects in operation. The plants were mainly located in Ningxia Province and Hubei Province.

* For identification purpose only

The sales volume of the Group's recycling project decreased from 25,730 tons for the six months ended 30 June 2023 to 19,074 tons for the six months ended 30 June 2024. The decrease was mainly attributable to (i) lower demand for copper scrap recycling as a result of reduced production by upstream industrial enterprises; and (ii) temporary suspension of butanol refining production due to the technical modification of the butanol tower of the plant located in Ningxia Province.

The average sales price of the Group's recycling and reuse projects decreased from RMB4,426 per ton for the six months ended 30 June 2023 to RMB3,007 per ton for the six months ended 30 June 2024 mainly due to (i) changes in sales mix, and (ii) a decrease in the market price of ethanol during the period. Accordingly, the gross profit margin of the Group's recycling and reuse products decreased from 21.1% for the six months ended 30 June 2023 to 4.8% for the six months ended 30 June 2024.

Other income and gains, net

Other income and gains, net for the six months ended 30 June 2024 decreased to RMB26.4 million, as compared to corresponding period of last year of RMB39.8 million. The decrease was mainly due to decrease in interest income and VAT super deduction.

Administrative expenses

Administrative expenses for the six months ended 30 June 2024 increased to RMB282.2 million, as compared to the corresponding period in 2023 of RMB211.5 million. The increase was mainly due to the increase in salaries, wages and welfare and office expenses, as a result of continuous business expansion.

Other expenses, net

Other expenses, net for the six months ended 30 June 2024 increased to RMB22.1 million, as compared to the corresponding period of last year of RMB8.5 million. The increase was mainly due to increase in impairment losses of trade receivables and write-down of inventories to net realisable value.

Finance costs

Finance costs mainly comprised of interests on bank borrowings. The slight increase in finance costs was mainly due to the net effects of (i) increase in bank borrowings; and (ii) decrease in average interest rates charged to the Group resulting from decrease in proportion of bank borrowings denominated in Hong Kong dollars.

Income tax expense

The income tax expense decreased from RMB67.2 million for the six months ended 30 June 2023 to RMB58.5 million for the six months ended 30 June 2024, mainly because of the decrease in the operating taxable profits of the Group.

Property, plant and equipment

Property, plant and equipment consist of buildings, plant and machinery, furniture, fixtures and equipment, motor vehicles and construction in progress. The increase in property, plant and equipment was mainly due to continuous business expansion in urban services during the six months ended 30 June 2024.

Right-of-use-assets

Right-of-use assets consist of buildings, motor vehicles and prepaid land lease premium. Decrease in right-of-use assets was mainly due to depreciation provided during the six months ended 30 June 2024.

Goodwill

Goodwill mainly represented the goodwill arose from the acquisition of subsidiaries and the increase was mainly due to the acquisition of Shiny Glory during the period.

Service concession arrangements

Service concession arrangements represented arrangements involving the Group as a provider of urban services on behalf of the relevant government agencies for a period of 15 to 28 years. The decrease was mainly due to net effects of (i) addition of 2 urban services projects under service concession arrangements and (ii) amortisation provided during the six months ended 30 June 2024.

Trade and bills receivables

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

Environmental decommissioning fees receivable

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

Prepayments, deposits and other receivables

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

Cash and cash equivalents

Cash and cash equivalents increased by RMB152.8 million which was mainly due to increase in bank borrowings and decrease in payment of items of property, plant and equipment during the period.

Trade and bills payables

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

Other payables and accruals

Other payables and accruals mainly represented payables for acquisition of property, plant and equipment, accruals for the Group's expenses, dividend payable, lease liabilities and payables to related parties and non-controlling shareholders. The increase was mainly due to (i) consolidation of Shiny Glory; (ii) increase in dividend payable; and (iii) increase in payables for acquisition of property, plant and equipment.

Interest-bearing bank borrowings

Increase in bank borrowings was mainly due to drawdown of bank borrowings during the period for the purposes of development in the Group's urban services.

Liquidity and financial resources

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

As at 30 June 2024, the Group's cash and cash equivalents amounted to approximately RMB1,233.6 million (31 December 2023: approximately RMB1,080.7 million).

As at 30 June 2024, the Group's bank borrowings amounted to RMB2,861.9 million (31 December 2023: RMB2,562.1 million).

The net gearing ratio (defined as bank borrowings, net of cash and cash equivalents (the “**Net Debt Amounts**”), divided by the total equity) was 41.5% as at 30 June 2024 (31 December 2023: 38.5%). The increase in net gearing ratio was mainly due to increase in the Net Debt Amounts during the period.

Capital expenditures

During the six months ended 30 June 2024, the Group's total capital expenditures were RMB310.3 million (six months ended 30 June 2023: RMB302.6 million), out of which RMB286.3 million, RMB11.5 million, RMB11.4 million and RMB1.1 million (six months ended 30 June 2023: RMB257.5 million, RMB45.0 million, RMB0.1 million and nil) were the additions of property, plant and equipment, right-of-use assets, other intangible assets and operating concession, respectively.

FUTURE OUTLOOK

Notwithstanding the fact that the macroeconomy lacks momentum and the end demand is still weak, which put great pressure on the development of the industry, the ongoing macro policies issued by various departments around the country will continue to form policy synergies and provide favourable policy conditions for the stable operation of the economy. China has unveiled the “Opinions on Accelerating the Comprehensive Green Transition of Economic and Social Development” as a state-level guideline on the comprehensive green transition across the nation's economy and society, which calls for a substantial increase in the use of new energy, the promotion of reform of household waste disposal charging and the establishment of an urban household waste classification and reduction incentive mechanism to pave the way to long-term and high-quality development of the industry. With the enhancement of the overall core management capacity of local governments, the standards of ecological environment management and urban environment management will be further improved, and the urban service industry will transit from cleaning service to integrated services and urban housekeeper services, which will put forward higher requirements for the improvement of business operation and the exploration of industry value.

In the second half of 2024, the Group will follow the direction of policy deployment, continue to focus on its strategic planning, consolidate business foundation and strengthen the operation of existing projects to safeguard the fundamentals of corporate development step-by-step and in a steadfast manner, thereby enhancing its overall capacity for sustainable development. Focusing on high-quality operation and customer management, the Group will promote lean operations, strengthen management and control of operation risks to gain a core competitive edge. In respect of the urban service business, the Group strives to create continuous value for its customers by strengthening service quality control, promoting the standardised and refined management pilot model, improving operation and management efficiency, enhancing manpower and vehicle efficiency, and improving the customer management system and business support system. In respect of the hazardous waste business, the Group will proactively expand the revenue stream and explore innovative ideas and initiatives for hazardous waste management.

Adhering to the development strategy of “One Body, Two Engines” and powered by “regional exploration” and “coordinated development” as two engines for performance growth, the Group will focus on customer service and improve its sales management system and professional competencies in a bid to achieve the goal of sustainable and high-quality development. Efforts will be continued to develop the Group’s regional capacity by strengthening regional organisations, establishing a multi-level authorisation system and forming a comprehensive evaluation and inspection system. Meanwhile, on the basis of a comprehensive and scientific market analysis, the Group will give priority to key regions, accelerate the transformation of business opportunities, continue to establish a scientific and diversified marketing system, strengthen the training of marketing personnel in marketing capabilities and build a comprehensive professional business team. Committed to the coordinated development of water and sanitation services, the Group will focus on advantageous regions, strengthen the consciousness of business layout, coordinate, integrate and promote project expansion, establish a brand-new channel distribution system, diversify the mode of project cooperation, further release synergistic potentials and improve the momentum for development. With all the above, the Group is confident and well-positioned to further explore business potential, increase operation efficiency and create success with concerted efforts, enabling it to continue to move forward on the path of high-quality development.

CHARGES ON THE GROUP’S ASSETS

The secured bank borrowings of the Group as at 30 June 2024 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 2024 and 31 December 2023; and
- (ii) pledges over certain of the Group’s property, plant and equipment, right-of-use assets and service concession arrangements as at 30 June 2024 and 31 December 2023.

Save as disclosed above, as at 30 June 2024, the Group did not have any charges on the Group’s assets.

CONTINGENT LIABILITIES

As at 30 June 2024, guarantees given by a bank and insurance companies in favour of local government in lieu of deposits for project performances of RMB111,373,000 (31 December 2023: Nil) were outstanding.

FOREIGN EXCHANGE EXPOSURE

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Certain of the subsidiaries of the Group have their assets and liabilities denominated in HK\$. 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 HK\$ appreciates/depreciates against RMB, the Group would record a(n) decrease/increase in the Group's net asset value. During the six months ended 30 June 2024, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group employed 63,396 employees (30 June 2023: 52,713 employees) with total staff cost of approximately RMB1,582.4 million incurred for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately RMB1,144.9 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

On 24 June 2024 (after trading hours), Global Start Development Limited (the “**Global Start**”) (寰始發展有限公司), an indirect subsidiary of the Company owned as to 85% by Beijing Enterprises Urban Services Group Limited (北控城市服務集團有限公司) and 15% by Mr. Xiong Jianrui, entered into the sale and purchase agreement with Mr. Tam Wai Tong, pursuant to which Global Start has agreed to purchase and Mr. Tam Wai Tong has agreed to sell the non-interest bearing exchangeable bond in the principal amount of HK\$20,000,000 issued by Lapco Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM (stock code: 8472), which entitles the bondholder to exchange for all the issued share capital of Shiny Glory Services Limited (the “**Shiny Glory**”) (丞美服務有限公司) at the consideration of HK\$29,500,000. On 25 June 2024, as all of the conditions precedent under the sale and purchase agreement has been fully satisfied, the completion has taken place in accordance with the terms of the sale and purchase agreement. Upon completion, Global Start became the holder of the exchangeable bond and has exercised the exchange right to exchange all the outstanding principal amount of the exchangeable bond for the entire issued share capital of Shiny Glory. Accordingly, the Shiny Glory has become an indirect non-wholly owned subsidiary of the Company, and the financial results of which will be consolidated into the financial statements of the Group.

Details of the acquisition were set out in the announcements of the Company dated 24 June 2024 and 27 June 2024.

Save as disclosed above, there were no significant investments, material acquisition and disposal of subsidiaries by the Group during the six months ended 30 June 2024.

INTERIM DIVIDEND

The Board declared an interim dividend of HK1.2 cents per ordinary share for the six months ended 30 June 2024, payable to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 13 September 2024.

CLOSURES OF REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 11 September 2024 to Friday, 13 September 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for entitlement to the interim dividend, all properly completed transfer forms accompanied by the relevant Share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 10 September 2024. The interim dividend is expected to be paid on or around Monday, 7 October 2024.

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

The Company repurchased a total of 39,700,000 ordinary shares of the Company on the Stock Exchange during the period at an aggregate consideration of HK\$22,569,180 (before expense). All the repurchased shares were cancelled by the Company as at the date of this report. Details of repurchase of such ordinary shares were as follows:

Month/Year	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
January 2024	39,700,000	0.60	0.51	22,569,180
Total:	<u>39,700,000</u>			<u>22,569,180</u>

Save as the above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the period.

IMPORTANT EVENT AFFECTING THE GROUP AFTER THE REVIEW PERIOD

There was no other important event affecting the Group since 30 June 2024 and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company focuses on maintaining high standards of corporate governance in order to achieve sustainable development and enhance corporate performance. The Board and the management of the Company strive for adhering to the principles of corporate governance and have adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, risk management, fair disclosure and accountability to all shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to enhance shareholders value and safeguard shareholders' interests. For further details of corporate governance practices of the Company, please refer to the "Corporate Governance Report" section contained in the Company's 2023 annual report.

During the six months ended 30 June 2024, the Company has applied the principles of good corporate governance and complied with all code provisions set out in the Corporate Governance Code (Appendix C1 of the Listing Rules of the Stock Exchange).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries to all the Directors, all the Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2024.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises three independent non-executive Directors namely Mr. Wu Tak Kong (the chairman of the Audit Committee), Dr. Du Huanzheng and Ms. Judith Yu. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control of the Company. The interim results of the Group for the six months ended 30 June 2024 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.

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements with respect to the financial condition, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

Forward looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ, in some cases materially, from those implied or anticipated in any forward looking statement or assessment of risk.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.beur.net.cn) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 27 August 2024

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

* *for identification purpose only*