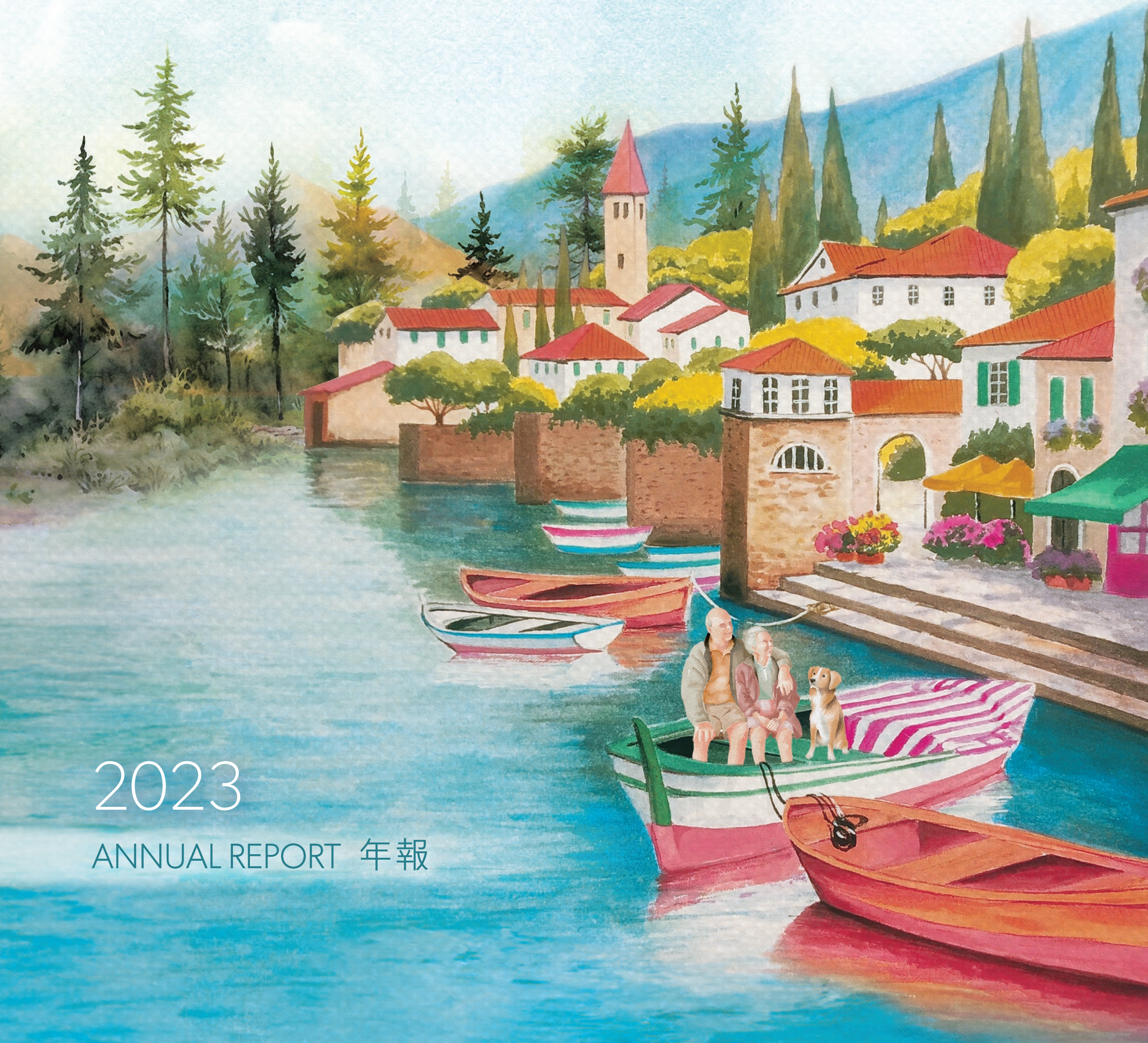
Capital Environment Holdings Limited
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股票代號：03989



2023
ANNUAL REPORT 年報

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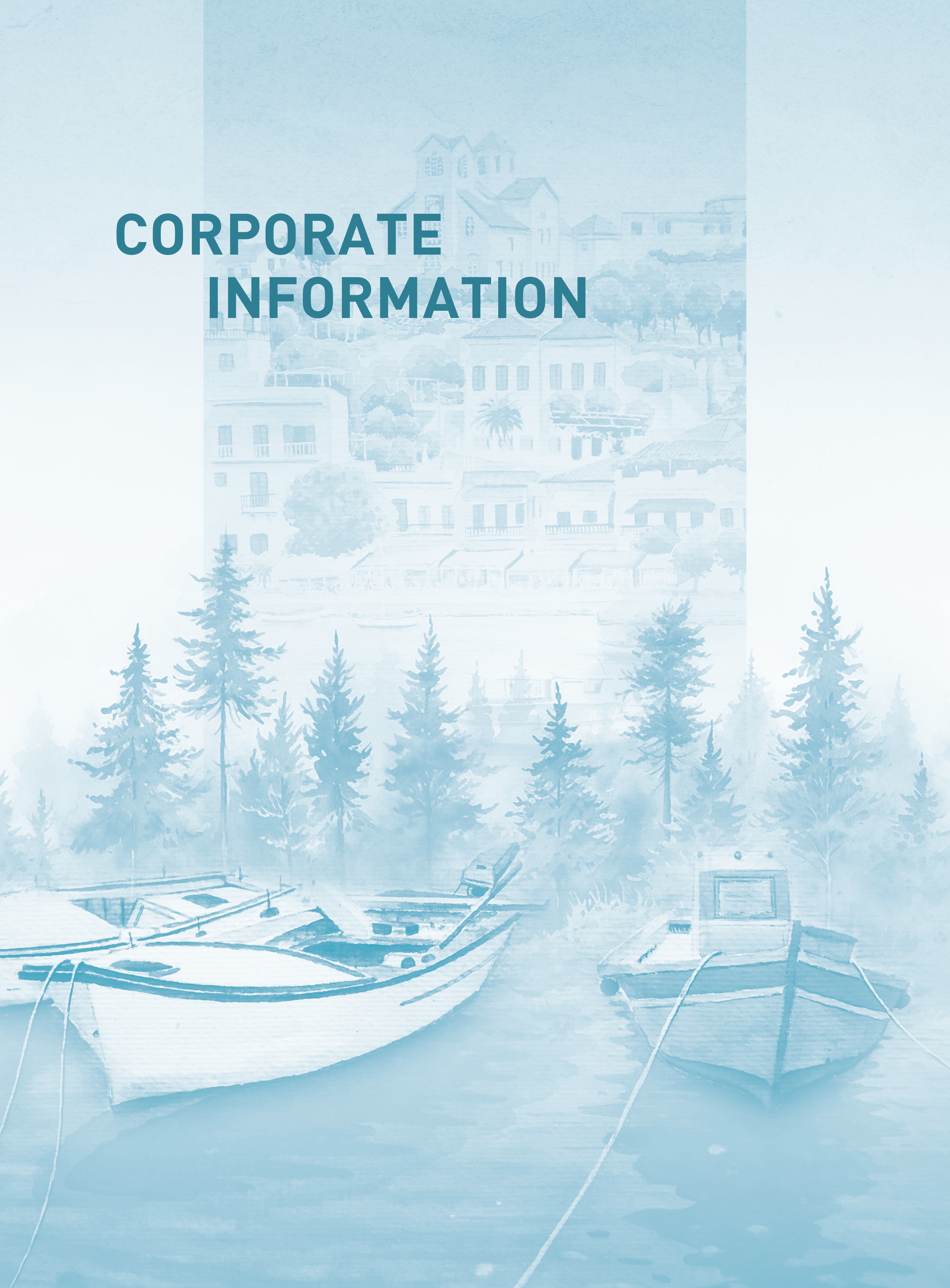
CORPORATE INFORMATION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Fujing *(Chairman)*
Mr. Li Qingsong *(Chief Executive Officer)*

Non-executive Director

Ms. Hao Chunmei

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah
Dr. CAO Fuguo

COMMITTEES

Audit Committee

Dr. Chan Yee Wah *(Chairlady)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen

Nomination Committee

Mr. Li Fujing *(Chairman)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
Mr. Li Fujing

JOINT COMPANY SECRETARY

Mr. Liu Yanjun
Ms. Lin Sio Ngo

AUTHORIZED REPRESENTATIVE

Mr. Li Fujing
Ms. Lin Sio Ngo

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

6/F, Building 1, Xindadu Hotel
21 Chegongzhuang Street, Xicheng District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai Hong Kong, China

AUDITORS

Ernst & Young
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Commerce & Finance Law Offices in Association with Eric Chow & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Cayman Bay
Grand Cayman, KY1-1100
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong, China

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Li Fujing
Chairman

It is pointed out in the report to the 20th National Congress of the Communist Party of China that high-quality development is the top priority for building a modern socialist country in an all-round way and is also the essential requirement of Chinese-style modernization. General Secretary Xi Jinping has talked about "protection of ecological environment" twice. At the first time he emphasized that "we adhere to the idea that lucid waters and lush mountains are invaluable assets, and remain focus on the integrated protection and systematic management of mountains, rivers, forests, farmland, lakes, grasslands and deserts", which established the status of ecological environmental protection in the decade of change and formed the concept of systematic governance. At the second time he pointed out that we must continue to safeguard blue skies, blue water and clean soil, improve our environmental infrastructure, and identify the direction for the future development of the ecological environment industry.

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and a year of economic recovery after the shift in COVID-19 prevention and control policies that lasted for three years. Economic development faced various difficulties and challenges, mainly include, among others, insufficient effective demand, overcapacity in some industries, weak social expectations, multiple potential risks, inactive components of the domestic cycle, and rising uncertainty, severity and complexity in the external environment.

The environmental protection industry is currently showing five major development trends: (1) the policy-driven impetus for growth is weakening, and the economic orientation is gradually strengthening; (2) the market performance has shifted from large-scale construction to operation of existing assets, and from a boom to significant differentiation; (3) the supply and demand relationship has shifted from oversupply and excessive superficial demand to high-quality supply and the tapping of deeper demand; (4) user demand has changed from extensive compliance to more affordable, high-quality and professional integrated environmental services; and (5) business operations have turned to focus on smaller segments rather than competing for large markets; pursue stability and excellence rather than scale and quantity; rely on professional and comprehensive service capabilities rather than capital and relationships. In the face of complex macro-environments and industry upgrades, we need to maintain resilience, recognize the current situation, gain insights into the patterns, and take proactive actions to enhance our core capabilities.

Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group") is committed to providing one-stop solutions for environmental-friendly treatment of urban solid waste. The Group provides integrated solid waste treatment services including urban and rural sanitation, domestic waste incineration for power generation, anaerobic treatment of organic waste and site restoration through the omni-process management of waste "sorting, collection, storage, transportation, treatment and reuse". The Group has three major advantages: firstly, its business covers the entire industry chain from front-end urban sanitation to tail-end organic waste treatment, domestic waste incineration for power generation, and site restoration; secondly, it is able to achieve regional synergy in collaboration with other businesses such as sewage treatment, solid waste treatment, air management and sludge reduction; and thirdly, its services cover the omni-process of "sorting, collection, storage, transportation, treatment and reuse" of urban waste.

In 2023, the Group aligned itself with the "14th Five-Year Plan" strategy and the "Eco+2025" strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group"), a substantial shareholder of the Company, regarding "quality improvement and quantity increase" as the keynote, "integration, development and upgrading" as the guideline, "tackling challenges, improving quality, making innovation and increasing quantity" as its core strategy, and "optimization of organization, talent development, information technology promotion and safety management" as a guarantee, to focus on development, tackle challenges, improve quality and expand its footprint in the sector. On the basis of operating efficiency improvement, we have made major innovation breakthroughs, with revenue target nearly achieved and profit target exceeded. As such, we have become an important pillar for the operating performance of the Capital Eco Group and contributed to its stability.

In 2023, the Group's turnover amounted to RMB4,077 million and net profit attributable to the parent company amounted to RMB285 million. Income from light assets accounted for 22.78%, with a year-on-year change of more than 6%. Total assets and net assets amounted to RMB20,287 million and RMB6,696 million, respectively.

As of the end of the period, the incineration segment recorded more than 20,000 tons of waste delivered to its plants per day on average, and more than 2,300 tons of waste collected and transported per day on average. The environmental sanitation segment has a total of 14 projects in operation, with a cleaning and sanitation area of more than 10,000 square meters and more than 800 vehicles of various types for sanitation and waste collection and transportation purposes. There are 15 projects in operation for treatment of organic waste, landfill, hazardous waste, dismantling and construction waste. During the period, the environmental sanitation segment received 11 new orders, with an annualized service amount of RMB286 million, and the site restoration business segment received 9 new orders, with a contract value of more than RMB1,100 million.

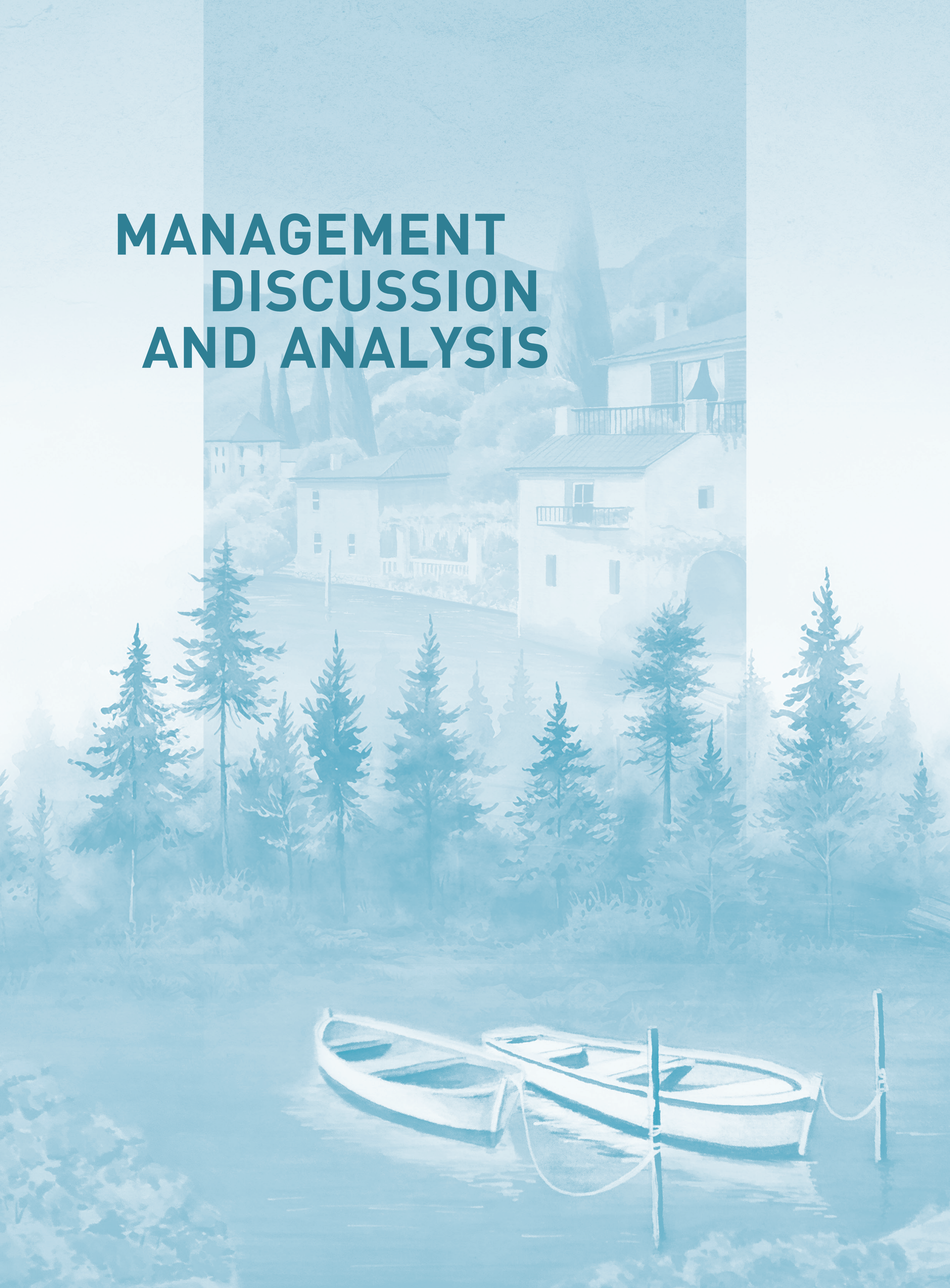
The development history of the Group is a journey that keeps pace with the environmental protection industry in China. During this journey, we have always been loyal to our original aspiration of environmental protection and fulfill our responsibilities to society and the earth with practical actions. The Group continued to rank among the Top Ten Influential Enterprises in the solid waste industry of China by virtue of its outstanding market influence and clear strategic positioning, demonstrating the Group's unshakeable faith in sustainable development and the market's recognition of the Group's mission, vision, values and influence.

In 2024, the favorable conditions for China's development will outweigh the adverse factors. The fundamental trend of economic recovery and long-term improvement remains unchanged, which reinforces confidence and faith. The Group will adapt to macro policy changes, keep up with the industry development, and deeply comprehend the spirit and requirements of the working conferences of the Capital Eco Group, to solidly advance various tasks with the overall goal of "innovation breakthroughs based on improvement of operating efficiency" and a focus on the annual business strategy of "effectively tackling difficulties, comprehensively improving quality, innovation for increment, and systematic upgrade". Firstly, we shall continue to expand our principal businesses in the market, focusing on key regions and projects, with dedicated efforts to foster new drivers of performance growth. Secondly, we shall keep tapping into our potential, drive income growth, expense decrease, cost reduction and efficiency improvement, and establish core capabilities for all business operations. Thirdly, we shall keep promoting the optimization of business structure to further improve the overall operating efficiency and effectiveness of the Company. Fourthly, we shall strengthen cash flow management and safety management to safeguard the bottom line of risk. Finally, we shall strive to develop integrated solutions and innovate products and services.

Last but not least, I would like to extend my sincere gratitude to the management and all employees for their unswerving efforts and outstanding contributions in the past year, and to all shareholders, Board members, stakeholders in Mainland China and Hong Kong and all departments of the Group for their consistent support. The Group will remain focus on its mission and is committed to protecting the environment, giving back to society, and satisfying the needs of residents. We will seize market opportunities, pursue quality growth, create sustainable and substantial value for our shareholders, and spare no effort to make the world a better home for all.

Li Fujing
Chairman
Beijing, 22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Li Qingsong
Chief Executive Officer

In 2023, China's economy showed a recovery trend of tortuous development and "wave-like" progress, and the recovery of consumption was not optimistic; fixed asset investment declined month by month as compared to the corresponding period of the previous year, and infrastructure investment slowed down year-on-year; the real estate industry faced the situation of "three period superimposed", namely, the period of macroeconomic distress, the transition period of industry development and the transition period of industry regulatory policies; demand in the global economy weakened and exports of goods continued to shrink; the international situation was complex, with ongoing geopolitical tensions. In the face of all these difficulties, external demand was under pressure and domestic demand was insufficient. Nonetheless, in the long run, China's economy is highly resilient and will continue to withstand the pressure and achieve overall improvement.

Currently, the growth engines and supply-demand relationships within the environmental protection industry are changing. In terms of market segments, the county-level market of waste incineration is facing challenges, and actively promoting the Incineration Plus and continuously improving quality and efficiency are the inevitable paths for the industry. It is expected that the capacity of the urban domestic waste treatment and industry concentration will further increase in the future. The urban-rural sanitation market scale keeps expanding, with projects within three years accounting for 61% of the total. The competitive landscape of the market remains uncertain, but full of development opportunities. Competition in the environmental sanitation sector is fierce, with a clear market trend towards localisation. The market for site restoration is developing rapidly, with a 92% growth in transaction value over the past year. The industry as a whole is still at an early stage of development, with the competitive landscape changing significantly. In the short term, the market will open up in phases, situations and regions based on demand, forming a situation of "shared prosperity" between leading companies with a nationwide presence and local companies.

The Group actively responded to national strategies to grasp market opportunities, and fully implemented the "14th Five-Year Plan" strategy and the overall deployment of "Eco+2025" strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd., a substantial shareholder of the Company (collectively, the "Capital Eco Group"). The Group continuously make in-depth adjustment to its business structure to gradually enhance profitability. Simultaneously, it pursues development driven by technological innovation, optimised the environment for technological innovation, enhanced its technological innovation capabilities and accelerated the establishment of its technological innovation strengths, to promote the high-quality development of the Group. The Group focused on its environmental protection business and built an industry-leading integrated service capability, with its operations covering waste-to-energy incineration, waste collection and transportation, cleaning and sanitation, site restoration, organic waste treatment and hazardous waste disposal. All sub-segments on the business chain worked together to create synergies – a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, to achieve a comprehensive structure for solid waste disposal business. The Group pursued the strategic initiatives on transformation and upgrading, in-depth urban presence and value diversification and, with a focus on capacity building and technological innovation, created a diversified value driver of "investment + operation + service" to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to achieve a multi-business portfolio covering "water, solid waste, air and energy" environmental services.

In 2023, guided by the strategic deployment and operating arrangements of Capital Eco Group, the Group steadily advanced its various tasks and delivered impressive results despite the sustained pressure from the external environment. As at 31 December 2023, the Group's total assets reached RMB20,287 million; the turnover amounted to RMB4,077 million; net profit attributable to parent company amounted to RMB285 million; and income from light assets accounted for 22.78%. In terms of revenue performance, seven city-oriented companies in Zhumadian, Nanchang, Nanyang, Huizhou, Xinxiang, Pingdingshan, and Duyun in aggregate contributed over 30% of the Group's total revenue.

In terms of project reserves, the Group secured a total of 68 projects (including 29 waste-to-energy projects, 5 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 7 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects) in the PRC, with a total investment of approximately RMB20,220 million, of which RMB17,064 million had been invested before 31 December 2023. The facilities are designed with an aggregate annual waste treatment capacity of approximately 15,020,800 tons and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units.

During the period, the Group's projects in operation or trial operation reached 55, including 24 waste-to-energy and biomass power generation projects, 4 waste landfill projects, 17 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste treatment projects. Key tasks were carried out in an orderly manner according to the Group's scientific management plan. During the year, the Group completed domestic waste disposal of 9,972,700 tons, hazardous waste disposal of 49,800 tons, and a dismantling volume of 1,072,200 units, providing a total of 2,280 million kWh of on-grid electricity.

Achievements in tackling challenges

In terms of tackling challenges, the Group took multiple measures in 2023 to focus on the recovery of receivables. Major efforts were made to facilitate the completion of the debt-to-equity conversion of the incineration project in Duyun and the signing of agreements with four counties, as well as the opening up of the subsidy payment channel for the incineration project in Qianjiang. Nanchang Phase II and the incineration project in Tanghe were put into commercial operation in April 2023. As for the incineration project in Jishou, the government had replied that the conditions for transition to commercial operation had been fulfilled. We are actively working to commence the commercial operation of the kitchen waste treatment project in Fuzhou. The Group has taken rigorous measures to expedite the progress of settlement, final accounting and completion acceptance, and has defined clear target results. In 2023, the Group completed 14 settlement projects, 1 financial final accounting project, and 3 completion acceptance projects. In combination with its efforts to tackle operational challenges, the Group managed to further improve quality and efficiency and achieved remarkable results in shoring up its weaknesses. Based on the strategy of "prudent investment and divestment", several departments of the Group worked together to drive the divestment from hazardous waste, dismantling, and landfill projects.

Evident effect of improving quality

In terms of quality improvement, the total on-grid power generation per tonne increased by 2.51% as compared to that in 2022, with obvious improvement in some projects that were recently put into operation and had unstable production and operation. During the year, the Group proposed a total of 6 projects of efficiency-oriented and production-oriented technological reforms, all with investment of more than RMB10 million and have been approved at meetings and entered the implementation phase progressively. Some of the technological reform projects had been put into operation and received favourable feedback. The Group's procurement management mechanism continued to improve and a cost control system has been gradually established, which help ensure procurement quality and efficiency while reducing procurement costs and achieving economies of scale. For market-oriented projects including kitchen waste disposal and dismantling, the Group actively expanded its customer base by fair and open bidding, achieving online sales of more than RMB150 million in 2023. In 2023, the Group has been granted investment and construction-related incentives of RMB69.18 million in total, of which RMB15.64 million has been received. Furthermore, local incentives and subsidies of RMB2.95 million in total has been received. In order to optimise the operating guidelines for the market and operational functions of its environmental sanitation business, the Group completed the compilation of a series of standard documents such as the "Guidance Manual for the Management of the Entry and Operation of New Environmental Sanitation Projects" (《環衛新項目進場運營管理指導手冊》) and the "Management Requirements for the Quality Inspection of Environmental Sanitation Operations" (《環衛作業質量檢查管理規定》) in 2023, which strongly guaranteed the quick response to the implementation of projects and their robust and stable operation. The Group established an operational routine inspection mechanism and a benchmarking evaluation system for anaerobic projects, and completed three major regulations for water treatment centres of city-oriented companies in Nanchang, Xinxiang and Zhumadian, providing guidance and impetus for the implementation by the project companies.

Fruitful results in making innovation

In terms of innovation, the Group actively participated in the special programme of the open competition mechanism to select the best candidates, with a total of 10 projects successfully being shortlisted in the first stage, of which 6 projects successfully passed the defence and were selected as the best candidates. Meanwhile, the Group actively participated in deepening and upgrading the reform of state-owned enterprises. Beijing Capital Environment Technology Co., Ltd.(北京首創環境科技有限公司)("Beijing Capital Technology"), a subsidiary of the Group, was selected as one of the "Science and Technology Reform Enterprises" and is committed to make itself a "front-runner" in the reform of state-owned enterprises based on higher standards. The incineration project in Xinxiang was the Group's first AAA rated incineration project; the incineration operation services received "Special Grade" certification and five incineration projects received "First Grade" certification from the headquarters. Beijing Capital Technology completed the upgrading of three architectural qualification certificates, which is expected to help further expand its business scope and enhance its market competitiveness. The Group has widely applied for high-value awards such as Beijing's New Technologies and New Products Award(北京市新技術新產品獎), Science and Technology Progress Awards(科技進步獎)of Shanghai and Henan Province, further enhancing its corporate brand image and technological strength, and gaining recognition from the outside world.

Remarkable outcome in increasing quantity

In terms of increasing quantity, the Group participated in the liquidation restructuring of Xinjiang Tianfu Waste Incineration Power Generation Co., Ltd.*(新疆天富垃圾焚燒發電有限責任公司)and successfully obtained the franchise right for the domestic waste incineration and power generation project in Shihezi City. The Group achieved remarkable results in the incineration supporting and derivative projects, with the total annual investment and contract value exceeding RMB3 billion. The "Incineration Plus" strategy has a clear path: relying on the existing incineration projects, the Group plans to expand horizontally and vertically 21 types of 23 derivative businesses, mainly focusing on heat supply, slag sales, synergistic treatment and expansion of environmental sanitation business, etc. The environmental sanitation segment is well positioned to win tenders, successfully completing the renewal of the Dongcheng Environmental Sanitation and Chaoyang Environmental Sanitation projects, and successively winning the Sanhe Environmental Sanitation and Maanshan Environmental Sanitation projects, with the annual new contract value hitting a new high. The site restoration segment is committed to establishing its roots in Yunnan, serving Yunnan and tapping into Yunnan to build up a base market, and signed 9 projects with a total contract value of over RMB1.1 billion in 2023. The energy conservation & dual carbon segment, while consolidating its traditional consulting business, also leverages its expertise to actively expand its business boundaries, acquire new customers and seek to develop new businesses such as carbon asset development to achieve transformation.

Solid organisational support

In terms of organisation and mechanism, based on the strategic adjustment of Capital Eco Group, the Group optimised and adjusted the organisation and functions of its headquarters, established the carbon asset management department, formed 7 city-oriented companies, set up an environmental sanitation platform company, while revising and updating the duties and responsibilities of its internal bodies. The Group focused on promoting the implementation of the management and control plan for the Zhumadian city-oriented company, facilitated the completion of its construction plan and list of authority and responsibility, and continued to follow up on the corresponding optimisation and adjustment. Currently, the positioning of the three major asset-light business platforms has been gradually clarified and the management system has been improved step-by-step. Each platform actively explores new customers and new markets and expands its business scope. By working with Capital Eco Group, the informatisation plan of the Group has been implemented and the Group's business informatisation and management informatisation systems were put into operation, which enabled the automated execution of business processes, thereby improving production and management efficiency.

* *For identification purpose only*

Comprehensive safety system

In terms of production safety and safety management, the Group established and improved the safety management system during the year, clarified responsibilities at all levels by signing the letter of responsibility for production safety objectives; promoted safety risk classification and control, covering project companies in the fields of incineration, environmental sanitation, site restoration, organic and hazardous waste and developed the risk control list, with a total of 52 high- and medium-risk items identified; stepped up its efforts in the identification and management of potential hazards, focusing on construction projects, road traffic, hazardous chemicals and other key industries, as well as limited space, fire safety, special equipment and other key areas, and supervised the work on flood control and prevention; promoted safety standards and guided the preparation of enterprise standards for production safety in incineration, anaerobic, and environmental sanitation projects in four locations, namely Beijing, Nanchang, Hangzhou and Xinxiang, in a phased and segmented manner, aiming to clarify the requirements and regulations for safety management; continued to carry out traffic safety communications, organised weekly symposium on safety for the management personnel and drivers of the waste collection and transfer projects, further emphasised traffic safety, set up traffic safety bulletin boards to publicise non-compliant driving behaviours; extensively launched activities for the safety production month, published activity plans and organised various forms of activities to ensure that "everyone is concerned about safety and knows how to respond to emergencies" and keep enhancing the awareness of production safety among all the employees; strengthened the supervision of special operators and special equipment operators of the project subsidiaries to ensure that they have the relevant certificates; and put forward specific measures and requirements for the overloading of the waste trestle bridges at the waste incineration power generation plants.

Diversified financing methods

The Group maintains good and smooth cooperative relationships with a number of financial institutions, including Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Postal Savings Bank of China. By comprehensively considering the short-, medium- and long-term capital needs, the Group laid the capital foundation for the potential and current project construction and working capital needs of the Company. During the year, the Group fully redeemed the previously issued RMB1 billion Panda Bonds and RMB700 million under the Ping An Asset Management Scheme in cash. The Group secured RMB10,741 million of outstanding banking facilities in total, of which RMB1,000 million was granted to the Group's headquarters and RMB9,741 million was granted to various project companies.

Environmental, Social and Governance Performance:

The Group's environmental policies and performance:

The Group attaches great importance to the environmental impact brought by the operation process and has formulated the "Environmental Management Measures" (《環境管理辦法》) to regulate the handling of the environmental protection matters of all departments and project companies, requiring them to operate in a clean and frugal manner and pursue for harmonious development. At the same time, the Group puts into practice the concept of energy conservation and emission reduction in the aspects such as waste discharge, use of resources, and environment and natural resources, so as to prevent and reduce adverse impact on the environment, and comply with national environmental protection laws and regulations. The Group is also committed to improving its environmental performance and reducing the adverse impact on the environment through research and development of different environmental protection technologies.

The Group has established a production safety committee to coordinate and take charge of environmental management. The duties of the production safety committee include: (1) to be responsible for the implementation of the environmental policies, decrees, regulations, standards, instructions and provisions of the State, local governments and the Group; (2) to analyze and study the matters relating to environmental management, and propose rectification requirements for major issues and hidden dangers in environment; (3) to develop long-term strategies for energy conservation, environmental protection and cleanliness, regularly review and update the environmental management system, and monitor and inspect the implementation thereof; and (4) to be responsible for the investigation, analysis and handling of major environmental accidents as well as development of preventive measures. Moreover, in addition to the production safety committee, the members of the Group have also established corresponding environmental steering groups, which are specifically responsible for environmental management and inspection, and executing the instructions of the production safety committee.

Compliance with the relevant laws and regulations that have a significant impact on the Group

The Group operate its projects in strict compliance with the relevant laws and regulations. The major regulations applicable to the Group's projects include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on Administration of Recovery and Disposal of Waste Electrical and Electronic Products (《廢棄電器電子產品回收處理管理條例》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Regulation on Work-Related Injury Insurances of the People's Republic of China (《中華人民共和國工傷保險條例》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Tentative Provisions on Payment of Wages (《工資支付暫行規定》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Standard for Pollution Control on Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》). In 2023, the Group did not record any material losses and impacts arising from non-compliance with the regulations.

The Group's key relationships with its employees, customers and suppliers

Employees

The Group highly values the contribution and dedication of its employees and acknowledges that talents are the most valuable resources, science and technology are the primary productive force, and innovation is the most important impetus. The Group continuously builds up new development momentum and advantages through initiatives of deepening the talents-oriented strategy and innovation-driven development strategy, exploring new areas and blazing new trails for development. The Group pursues development with capital, talents and culture as its driving forces, and strives to create a healthy and pleasant working environment for employees, allowing the employees to work efficiently. Meanwhile, the Group continuously explores the human resources management model, establishes a competitive remuneration mechanism, and provides employees with competitive remuneration packages. During the year, the Group continued to professionalize its talents team and further improved the construction of the talents position system. It utilized various platforms such as the Chuangyun Book Court (創雲書園) and the Capital Environment Podium (首創環境大講壇) to conduct talent training, improved the incentive and constraint mechanism to stimulate the vitality of the organization in a continuous manner. The "Measures on Management and Operation of Projects" (《項目運營管理辦法》) and a series of policies on product liability were developed by the Group to regulate the management and operation process.

Customers

The Group adheres to the customer-centric business philosophy, and regards the provision of high-quality, efficient and safe services to customers as its top priority. Consistently oriented by customer demand, the Group pursues high-quality development, builds up energy within the Group, leverages on external resources, and takes customer satisfaction as the primary principle, striving to build a sustainable ecosystem in which customers and partners cooperate closely for long-term value.

Suppliers

The Group is committed to establishing long-term and mutually beneficial cooperation relationships with its suppliers and jointly building a sustainable supply chain to enhance the Group's sustainability performance. The Group has established systems such as the "Tender Management Measures" (《招標管理辦法》) and the "Procurement Management Measures" (《採購管理辦法》) to provide guidelines for the selection of suppliers that meet the Group's requirements, and to manage environmental and social risks in the supply chain.

Business outlook

Gathering our wisdom and efforts to pursue development, driving income growth and cost reduction to achieve improvement. In 2024, with "stability" as the keynote and "progress" as the major direction, the Group will focus on the overall objective of "making breakthroughs in innovations based on the improvement of operational efficiency" and implement the annual work strategy of "tackling challenges in an in-depth manner, improving quality in a comprehensive manner, increasing quantity in an innovative manner, and upgrading the system". For the incineration segment, the Group will grasp the opportunity of the second phase of the existing projects and seek progress while maintaining stability; on the basis of the existing projects, achieve horizontal and vertical synergies, actively promote model innovation, develop solutions and broaden the pipeline of revenue growth. For the urban-rural environmental sanitation segment, the Group will focus on urban housekeeping comprehensive service projects such as road cleaning, greening, water cleaning and waste separation, and fully leverage the market resources and localised operating advantages of the city-oriented companies to strengthen synergies and acquire more orders through the "self-operated + agency" model. For the site restoration segment, the Group will tap into key strategic regions and increase its efforts in expanding projects with sufficient funding; adjust its business model to give priority to stability by adding terms of payment guarantee; and leverage on policy trends to develop new business areas such as saline-alkaline land and tailings pond. For the energy conservation & dual carbon segment, the Group aims to achieve a steady increase in the contract value of its existing consulting business and sustained growth in the profit-generating capacity of the team; explores dual carbon businesses such as low-carbon enterprises, demonstration parks, low-carbon product certification, carbon neutral certification, and the issuance and trading of green electricity certificates, etc. In 2024, in the face of a market environment where uncertainty and certainty coexist, all employees of the Group shall further unify their mindset and strengthen their confidence, and continue to break new ground and reach new heights from a new starting point, with the ambition of jointly promoting greater development of the Group and delivering satisfactory results for all shareholders.

FINANCIAL REVIEW

Financial Performance

For the year under review, the Group's revenue from its continuing operation of the waste treatment and waste-to-energy business was approximately RMB4,076,596,000, representing a decrease of approximately 11.17% from approximately RMB4,588,955,000 for the corresponding period in 2022. This was mainly due to the significant decrease in construction revenue as some of the Company's projects under construction were put into commercial operation in 2023.

For the year under review, the Group's gross profit margin was approximately 34.02%, representing an increase from approximately 30.24% for the corresponding period last year. The increase was mainly attributable to the decrease in cost of sales. For the year under review, the Group's selling and administrative expenses incurred for continuing operations decreased by approximately RMB39,757,000 to approximately RMB408,684,000. The decrease was mainly due to the decrease in research and development expenses.

For the year under review, net profit attributable to owners of the Company was approximately RMB285,380,000, representing a decrease of approximately 82.48% as compared to approximately RMB1,628,662,000 for the corresponding period in 2022. This was mainly due to the significant gains from the disposal of the New Zealand business in 2022.

Net profit attributable to owners of the Company from continuing operation was approximately RMB285,380,000, representing an increase of approximately 122.03% from approximately RMB128,533,000 for 2022. The increase was mainly due to the exchange losses arising from exchange rate changes in 2022.

Financial Position

As at 31 December 2023, the Group had total assets of approximately RMB20,287,166,000 and net assets attributable to owners of the Company were approximately RMB6,695,865,000. The gearing ratio (calculated as total liabilities divided by total assets) was 66.99%, representing an increase of 0.18% from 66.81% as at the end of 2022. The current ratio (calculated as current assets divided by current liabilities) increased from approximately 1.33 as at 31 December 2022 to approximately 1.79 as at 31 December 2023. The increase was mainly due to the adjustment of the proportion of long-term and short-term capital in the capital structure.

Financial Resources

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 31 December 2023, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB702,288,000, representing a decrease of approximately RMB847,744,000 as compared to approximately RMB1,550,032,000 as at the end of 2022. The decrease was mainly due to the payment of cash dividend and repayment of borrowings and interest in 2023. Currently, most of the Group's cash is denominated in RMB, HK$ and US$.

Borrowings

As at 31 December 2023, the Group had outstanding borrowings of approximately RMB10,472,044,000, representing an increase of approximately RMB1,364,551,000 as compared to approximately RMB9,107,493,000 at the end of 2022. The borrowings comprised secured loans of approximately RMB6,524,840,000 and unsecured loans of approximately RMB3,947,204,000. The borrowings are denominated in RMB and US$. Approximately 31.64% and 68.36% of the borrowings bear interest at fixed rate and variable rate, respectively. As at 31 December 2023, the Group's undrawn loan facilities amounted to approximately RMB2,225,745,000.

Finance costs decreased by approximately 19.05% from RMB544,670,000 for the corresponding period last year to approximately RMB440,919,000. The decrease was mainly due to the repayment of the Company's historical borrowings when due, and the effective results achieved in reducing the medium- and long-term borrowing and financing costs of the Company through in-depth and constructive communication with various cooperative banks, thanks to the supportive policies of the People's Bank of China to create a more favorable monetary and financial environment by reducing financing costs for the real economy through ongoing guidance.

Foreign Exchange Exposure

The majority of the Group's sales, purchases and operating expenses were denominated in US$, HK$ and RMB. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in prompt and appropriate hedging activities when needed.

Pledge of Assets

As at 31 December 2023, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements, bank balances of RMB4,702,000, and leasehold land and buildings of RMB39,930,000.

As at 31 December 2023, bank deposits of RMB35,775,000 were mainly bank balances pledged to secure service concession arrangements as required by the local governments.

Capital Commitment Arrangements

As at 31 December 2023, the Group had capital commitments of approximately RMB112,426,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2023, the Group provided performance guarantees of approximately RMB207,993,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

Employee Information

As at December 31 2023, the Group had a total of approximately 3,795 employees, with a male to female ratio of 3.5:1, mainly based in Mainland China and Hong Kong. Total staff costs amounted to RMB410.03 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund or regular contributions to the MPF Scheme on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid regions. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 8 September 2023, Beijing Capital Environment Investment Limited（北京首創環境投資有限公司）("Capital Investment"), a wholly-owned subsidiary of the Company, was notified that the Restructuring Plan in respect of the acquisition of the entire equity interests in Xinjiang Tianfu Waste Incineration Power Generation Co., Ltd.（新疆天富垃圾焚燒發電有限責任公司）("Xinjiang Tianfu"), at a consideration of RMB120 million pursuant to the Restructuring Investment Proposal was formally approved by the creditors' meeting and the Court. The Restructuring Investment Proposal was entered into between Capital Investment as restructuring investor, the Xinjiang Branch of Zhonghong Shengtai Corporate Restructuring Consultant (Beijing) Co., Ltd.（中泓晟泰企業重整顧問（北京）有限公司新疆分公司）as the administrator and Xinjiang Tianfu on 28 August 2023. Given Xinjiang Tianfu's assets level and production capacity and considering the Group's expansion plan, the Company is of the view that the acquisition of Xinjiang Tianfu through the bankruptcy and restructuring of Xinjiang Tianfu is conducive to the future business expansion of the Company. As of 31 December 2023, the Acquisition has been completed and Xinjiang Tianfu is wholly-owned by Capital Investment and has been accounted for and consolidated into the Group's consolidated financial statements. Please refer to the announcement of the Company dated 8 September 2023 for more details.

On 20 November 2023, Capital Investment entered into a sale and purchase agreement with Duyun State-owned Capital Operation Co., Ltd.（都勻市國有資本營運有限責任公司）("Duyun State-owned Capital"), Duyun City People's Government and Duyun Capital Environmental Protection Co., Ltd.（都勻市首創環保有限公司）("Duyun Capital Environmental Protection"), pursuant to which Capital Investment agreed to acquire its 37.91% equity interests in Duyun Capital Environmental Protection from Duyun State-owned Capital, at a total consideration of RMB52 million. The Consideration shall be off-set by the Debts (which are of an aggregate amount equivalent to the Consideration and owed by Duyun City People's Government to Capital Investment) and shall be paid by Duyun City People's Government to Duyun State-owned Capital direct at the time and in a way as agreed between the said two parties. The Company is of the view that the Acquisition would facilitate more effective implementation of the business strategies and business expansion plans of the Company in respect of the Duyun Capital Environmental Protection's business. As of 31 December 2023, the transaction has been completed and Duyun Capital Environmental Protection has become an indirect wholly-owned subsidiary of the Company. Please refer to the announcement of the Company dated 20 November 2023 for more details.

Save as disclosed in this report, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

Continuing Connected Transaction in 2024 – Cooperation Framework Agreement

On 11 March 2024, the Company entered into the Cooperation Framework Agreement with Beijing Capital Eco-Environment Protection Group Co., Ltd.(北京首創生態環保集團股份有限公司)("Capital Eco Group"), a controlling shareholder and a connected person of the Company, pursuant to which the subsidiaries of Capital Eco Group, which fall under the Cooperative Area, shall provide entrusted management services to the Project Companies of Beijing Capital Environmental Sanitation Company Limited(北京首創環衛有限公司)("Capital Environmental Sanitation"), an indirect wholly-owned subsidiary of the Company, in the Cooperative Area. The term of entrusted management lasts from 11 March 2024 to 31 December 2026. It is expected that the annual entrusted management service fee payable under the Cooperation Framework Agreement would not exceed the caps of RMB equivalent of HK$10,000,000, which shall be satisfied by the general working capital.

Connected Transaction in 2024 – Capital Increase Agreement

On 11 March 2024, Shenzhen Qianhai Capital Environmental Investment Company Limited(深圳前海首創環境投資有限公司)("Shenzhen Qianhai"), a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Capital Eco Group and Capital Environmental Sanitation, pursuant to which Capital Eco Group shall subscribe for the corresponding equity interest of RMB33,640,700 (representing approximately 49% of its enlarged registered capital) in the newly increased registered capital of Capital Environmental Sanitation. Upon completion of the Capital Increase, the equity interest of Shenzhen Qianhai in Capital Environmental Sanitation will be diluted to 51%. The consideration for the Capital Increase shall be settled by Capital Eco Group in cash and shall be paid into the account of Capital Environmental Sanitation on or before 30 June 2024.

Please refer to the announcement of the Company dated 11 March 2024 for more details.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had no future plan for material investments or purchase of capital assets during the year ended 31 December 2023.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Fujing, aged 43, holding a master's degree, is a senior economist and engineer. He was appointed as an executive director and the chief executive officer of the Company in November 2019, and was re-designated as the chairman of the board of directors from the chief executive officer on 20 December 2023. Mr. Li is a director and general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Before joining the Company, he worked as assistant to the general manager of the infrastructure department and deputy general manager of the environmental industry department at Beijing Capital Group Co., Ltd..

He has rich experience in enterprise management and operation, investment, financing and risk management and other enterprise management work, as well as work experience at overseas enterprises. He worked as an engineer at Baicheng Engineering Technology (Beijing) Co., Ltd.（柏誠工程技術（北京）有限公司）, and as project manager at the infrastructure consulting department of Beijing Municipal Engineering Consulting Corporation（北京市工程諮詢公司）. He joined Beijing Capital Group Co., Ltd. in May 2013 and successively acted as the assistant to general manager of the infrastructure department, the deputy general manager of the environmental industry department and a director of its certain domestic and foreign subsidiaries.

Mr. Li Qingsong, aged 52, is a senior engineer and economist. He was appointed as an executive Director and executive general manager of the Company in August 2021, and was re-designated as the chief executive officer from executive general manager on 20 December 2023. He holds a bachelor's degree in port and waterway engineering from the Department of Geography of Zhejiang University, a master's degree in hydraulics and river dynamics from the Department of Water Conservancy of Tsinghua University and a master's degree in business administration from the School of Business Administration of the Chinese University of Hong Kong. Mr. Li had successively acted as an engineer at the Institute of Environmental and Sanitary Engineering Technology（環衛工程技術研究所）of the Urban Construction Design and Research Institute（城市建設研究院）of the Ministry of Construction, the investment manager of the investment and development department, the deputy general manager of Nanjing branch, the general manager of Nanjing branch and the general manager of the investment and development department of southern region of Beijing Capital Eco-Environment Protection Group Co., Ltd., the general manager of Hunan Capital Investment Co., Ltd.（湖南首創投資有限責任公司）and assistant to general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd.. He has extensive experience in investment and financing management.

NON-EXECUTIVE DIRECTOR

Ms. Hao Chunmei, aged 53, is a senior accountant, certified public accountant and certified public valuer, was appointed as an executive director of the Company in April 2018, and subsequently re-designated as non-executive Director in July 2021. Ms. Hao obtained a master's degree in accounting from the Central University of Finance and Economics and a bachelor's degree in mechanical manufacturing from Beihang University. Ms. Hao is currently the chief accountant of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008), and a director of Beijing Capital (Hong Kong) Limited. Ms. Hao served as a department head of planning and finance department, the general manager of accounting information department, the general manager of the planning and finance department and general manager of the corporate development centre of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 76, was appointed as an independent non-executive Director of the Company in June 2006. He had been actively serving on the consultation and formulation of government policies, including those relating to town planning, urban renewal, public housing and environment matters, etc. for years. Mr. Pao has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-Urban Councilor. He obtained a Master of Science in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983.

Since 1987, Mr. Pao has been an independent non-executive director of companies listed on the Stock Exchange of Hong Kong Limited, and has extensive experience in the field of corporate governance. Currently, he is an independent non-executive director of a number of companies listed on the Stock Exchange, including Sing Lee Software (Group) Limited (stock code: 8076), Soundwill Holdings Limited (stock code: 878), Maoye International Holdings Limited (stock code: 848) and Global International Credit Group Limited (stock code: 1669). Mr. Pao also served as an independent non-executive director of Oriental Enterprise Holdings Limited (stock code: 18) from July 1987 to August 2023, and an independent non-executive director of Zhuzhou CRRC Times Electric Co., Ltd. (stock code: 3898) from June 2006 to June 2023, the shares of which is listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Science and Technology Innovation Board of the Shanghai Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 60, was appointed as an independent non-executive Director of the Company in January 2010. Mr. Cheng is a qualified accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a master's degree of accountancy from Jinan University in China and is a professional advisor to several international companies of investment management, trading and service industry.

Dr. Chan Yee Wah, age 58, was appointed as an independent non-executive Director of the Company in July 2012. Dr. Chan has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association; Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Dr. Chan graduated from City University of Hong Kong with a bachelor of arts in accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited (中渝置地控股有限公司) and an independent non-executive director of Xtep International Holdings Limited (特步國際控股有限公司) (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 1368). Dr. Chan has been an independent non-executive director of ST International Holdings Company Limited (智紡國際控股有限公司) (a company listed on the Stock Exchange of Hong Kong Limited, stock code: 8521) since 5 December 2023.

Dr. Cao Fuguo, aged 57, was appointed as an independent non-executive Director of the Company on 23 May 2023, and holds a doctorate degree in civil and commercial law from Tsinghua University. Dr. Cao is currently a professor of the School of Law, the dean of the PPP Governance Research Institute and a member of the Faculty of Law of the Eighth Academic Committee of Central University of Finance and Economics（中央財經大學）, the director of the China Public Procurement Research Institute（中國公共採購研究所）, and the director of the Energy Transformation, Low Carbon and Sustainable Procurement Research Center of the Guangdong-Hong Kong-Macao Greater Bay Area (Whampoa) Research Institute（粵港澳大灣區（黃埔）研究院）. He is the host and chief expert of the major projects of the National Social Science Fund（國家社科基金重大項目）, a new century excellent talent of the Ministry of Education, and a Fulbright visiting scholar. Dr. Cao is also concurrently the legal advisor of the Ministry of Finance, the vice president of the Energy Law Research Association of China Law Society（中國法學會能源法研究會）, a member of the Beijing Major Construction Project Advisory Committee（北京市重大建設項目諮詢委員會）, an evaluation expert and leader of the evaluation team for the PPP demonstration project of the Ministry of Finance（財政部PPP示範項目）, a member of the International Advisory Committee of the Faculty of Business Administration of AIMST University, Malaysia, an independent director of both of Bloomage Biotechnology Co., Ltd.（華熙生物科技股份有限公司）(a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange) and Huaxin Investment Management Co., Ltd.（華芯投資管理有限公司）, a fund manager of National Integrated Circuit Investment Industry.

Dr. Cao served as a member of the expert group as well as the consultant of the working group of the Chinese government delegation for two law revision projects, namely "Public Procurement Model Law" and "PPP Legislative Model Provisions" of the United Nations Commission on International Trade Law, the president-elect of the International Public Procurement Conference (IPPC), co-chairman of the Ninth International Conference on Public Procurement. He has also participated in the research and drafting of "Chinese Government and Social Capital Cooperation Law"(《中國政府和社會資本合作法》), "Chinese Government Procurement Law"(《中國政府採購法》), "China Tendering and Bidding Law"(《中國招標投標法》), "Beijing Urban Infrastructure Franchising Regulations"(《北京市城市基礎設施特許經營條例》) and "China Energy Law"(《中國能源法》). Dr. Cao has presided over 50 scientific research projects including major projects of the National Social Science Fund, published more than ten books (including monographs, editor-in-chief, and translations), and published more than 70 papers in important domestic and foreign journals such as "Chinese Law"(《中國法學》), "Law Science"(《法學》), "Journal of the National Academy of Administration"(《國家行政學院學報》), "Chinese Administration"(《中國行政管理》), "Fiscal Research"(《財政研究》), "Urban Development Research"(《城市發展研究》), and SSCI/SCI searching journals.

Dr. Cao's main research and teaching fields are commercial law (bilingual teaching of corporate law), fiscal law (public procurement law/PPP law, etc.), economic law, climate change and energy law (Rule of law in energy transition), health law, corporate governance, corporate social responsibility and common prosperity. He has extensive legal knowledge, outstanding research results and teaching experience, covering legal fields such as commercial law, fiscal law and health law, etc., as well as environmental, social and economic fields such as climate change, energy transition, procurement theory and policy, etc.

SENIOR MANAGEMENT

Mr. Liu Yanjun, was appointed as the Deputy General Manager of the Company in June 2011, and then was redesignated as the Secretary of the Board of the Company in December 2020, and was appointed as Joint Company Secretary of the Company on 8 December 2023. He is responsible for corporate strategy, capital market and administration affairs of the Board of the Company. Mr. Liu obtained a bachelor's degree in environmental science from the Northeast Normal University and a master's degree in business administration from the University of Technology of Sydney, Australia. He was previously a chief of the project management office in Harbin Drainage Management, a senior investment manager in PCCW (Beijing) Limited（香港電訊盈科北京有限公司）, a deputy general manager of the Strategy Department and a General Manager of the International Cooperation Department in Beijing Capital Eco-Environment Protection Group Co., Ltd. and a deputy general manager of Beijing Capital (Hong Kong) Limited.

Mr. Liu has over ten years of experience in both areas of environmental protection and capital market. He understands and is familiar with the industry development and the market practices. He participated in and was in charge of the investment in as well as the acquisition and restructuring of a number of environmental protection projects. He possesses extensive practical experience in the formulation of the development strategies for investment companies and the operation of capital market.

Mr. Yan Shengli, was appointed as the Assistant President of the Company in June 2011 and as the Vice President of the Company in 2013, and then was redesignated as the General Counsel of the Company in December 2020. He is responsible for and in charge of the legal affairs of the Company. Mr. Yan obtained a master's degree in economic legal studies from Huazhong University of Science & Technology and a bachelor's degree in mathematics from Henan Normal University. He is a PRC practicing lawyer, an economist and an arbitrator. He is well-versed in PRC law and has expertise knowledge of economic aspect, legal application and practicing compliance. He has practiced as practicing lawyer for 20 years and as an arbitrator for ten years. He was previously the legal counsel of several sizable enterprises and government authorities in the PRC. He has been familiar with the operation practice, regulations and management style of the government and enterprises. Mr. Yan was previously the secretary of Judiciary Department in Factory 9623 of Ordnance Industry（兵器工業第9623廠司法處）; a senior partner of Henan Ziwu Solicitors & Co.,（河南子午律師事務所）, a general manager of Henan Hongda Properties Company（河南鴻達房地產公司）; and a partner of Beijing Rongshi Solicitors & Co.（北京融世律師事務所）and Beijing Chang'an Solicitors & Co.（北京長安律師事務所）.

Mr. Dai Xiaodong, was appointed as a deputy general manager of the Company in June 2022. Mr. Dai is mainly responsible for the technology-related work, investment in incineration-related and organic solid waste projects and engineering and construction management work in the Company. He is also in charge of the solution and product department, the investment and development department as well as engineering and management department. Mr. Dai holds a bachelor's degree in engineering and is a senior engineer. Mr. Dai has extensive experience in the area of solid waste treatment. He has worked in Beijing Nanuo Environmental Engineering Co., Ltd.（北京鈉鍩環境工程有限責任公司）and Urban Construction Design and Research Institute（中國城市建設研究院）. He joined the Company in 2011 and had successively served as the deputy general manager of the engineering and technology department, the general manager of the technical support department, the chief technology officer and the general manager of the technology centre, and the chief technology officer of the Company, and concurrently served as the general manager, the chief technology officer and the general manager of the solution and product department of Beijing Capital Environmental Technology Co., Ltd.（北京首創環境科技有限公司）.

Mr. Guo Chaoyang, was appointed as the deputy general manager of the Company in June 2022. He is mainly responsible for the strategy, operation, operation and management mainly in incineration-related and organic solid waste projects as well as carbon asset management of the Company. He is also in charge of the operation and management department, the operation and development department and the carbon asset management department, and assists the general manager in charge of the environmental industry department. Mr. Guo holds a master's degree and is a senior economist. Mr. Guo joined the Company in 2012. He has extensive experience in corporate operation and operation management. He had successively served as the general manager of the corporate management department and the general manager of the operation and management centre of the Company.

Ms. He Xiaoli, was appointed as the financial controller of the Company in May 2022 and was re-designated as the chief accountant of the Company in October 2022. She is mainly responsible for the financial management of the Company. Ms. He holds a master's degree and is a fellow of the Association of Chartered Certified Accountants. Ms. He is currently a deputy general manager of the financial management centre of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). She had served in Ernst & Young Hua Ming LLP and Beijing Huicong International Information Co., Ltd.（北京慧聰國際資訊有限公司）. Ms. He has extensive experience in financial management and capital operation.

CORPORATE GOVERNANCE REPORT

The board of directors (the "Board") of directors (the "Directors") of the Company, believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices.

The Company has complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2023.

DIRECTORS' MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "Model Code") as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company ("Senior Management"). After a specific enquiry conducted by the Company, all directors of the Company confirmed that they have fully complied with the required standards set out in the Model Code for the year ended 31 December 2023.

BOARD OF DIRECTORS

The Board is primarily responsible for establishing the strategic direction of the Group, setting objective and business development plan for the Group, monitoring the performance of the Senior Management and assuming responsibility for corporate governance. The Board is also responsible for the preparation and presentation of annual and interim results, risk management, major acquisition(s), and other significant operational and financial matters. Both the Board and the Senior Management have clearly defined roles and powers towards internal control, policies and day-to-day operations of the Group's business. The Senior Management, under the leadership of the Board, are authorized to implement the Group's strategies and business objectives.

With a view to achieving a sustainable and balanced development, the Company considers the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board diversity has been considered in terms of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

THE MECHANISM WHERE THE BOARD CAN OBTAIN INDEPENDENT VIEWS AND ADVICE

The Company has put in place mechanisms, which are covered by the Company's Articles of Association, the terms of reference and the governance structure of each committee, to ensure that the Board is provided with independent views and advice. These mechanisms include, but are not limited to, the election process and selection criteria for Directors (including independent non-executive Directors), the number of independent non-executive Directors, the assessment of the independence of the Company's independent non-executive Directors, channels seeking for legal and other independent professional advice in the performance of directors' duties, and the right of Directors to seek further information and documents from the management on matters discussed at Board meetings.

The Board has reviewed the implementation and effectiveness of the mechanism during the year. It is considered that the mechanism is effective in ensuring that the Board is provided with independent views and advice.

As at the date of this annual report, the Board of the Company comprises two executive Directors, one non-executive Director and four independent non-executive Directors:

Executive Directors
Mr. Cao Guoxian[1]
Mr. Li Fujing[2] *(Chairman)*
Mr. Li Qingsong[3] *(Chief Executive Officer)*

Non-executive Director
Ms. Hao Chunmei

Independent Non-executive Directors
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah
Dr. Cao Fuguo[4]

Notes:

1. Mr. Cao Guoxian retired as an executive director, the chairman of the Board, the chairman of the nomination committee and a member of the remuneration committee of the Company with effect from 20 December 2023.

2. Mr. Li Fujing has been re-designated from chief executive officer to the chairman of the Board and appointed as chairman of the nomination committee and a member of the remuneration committee with effect from 20 December 2023.

3. Mr. Li Qingsong was re-designated from executive general manager to chief executive officer with effect from 20 December 2023.

4. Dr. Cao Fuguo was appointed as an independent non-executive director of the Company with effect from 23 May 2023.

The biographical details of all Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. Save as disclosed otherwise, none of the Directors has any relationship including financial, business, family or other material relationship with each other. Every Director is required to disclose the number and nature of offices held in public companies or organizations and other significant commitments to the Company on an annual basis.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed four independent non-executive Directors, at least one of whom has the appropriate accounting or related finance management expertise. The Company considers the four independent non-executive directors have the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the four independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. The Company is of the view that all the independent non-executive Directors are independent. Also, the four independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power. Three of the independent non-executive Directors of the Company, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, have served as independent non-executive Directors in the Company for more than 9 years. Despite the length of service, the independence of each of the three independent non-executive Directors, especially in terms of exercising independent judgment and objective challenges to the management, has not been or will not be in any way compromised or affected. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah will continue to make valuable contribution to the Company by providing their balanced and objective views to the Board. On 23 May 2023, Dr. Cao Fuguo was appointed as an independent non-executive director of the Company in compliance with code provision B.2.4(b).

The Board is circulated with relevant information by the Senior Management pertaining to matters to be brought before the Board for decision as well as reports relating to operational, business and financial performance of the Group before each board meeting. At least 14 days' notice or sufficient notice is given to all Directors before each board meeting, to give them the opportunity to prepare for their attendance of such meetings and to provide them with the opportunity to include additional matters in the meeting's agenda. Board papers for each regular meeting are dispatched to the Directors at least 3 days before the meeting to ensure they have ample time to review the papers and be adequately prepared for the meeting. Senior Management, responsible for the preparation of the board papers, are invited from time to time to present their papers and to take any questions or address any queries that the members of the Board may have on the papers in the meetings.

The proceedings of the Board at its meeting are conducted by the chairman of the Company or the person acting the role as the chairman of the meetings who ensures that sufficient time is allocated for discussion and consideration of each agenda item and also equal chances are being given to each Director to express their views and share their concerns.

In considering any matters or transactions at any board meeting, the Directors are required to declare any direct or indirect interests in such matters or transactions, and shall abstain from voting at the meeting(s) where appropriate. Minutes of the meetings of the Board will record in details the matters considered by the Board and the decisions reached. The draft minutes of each meeting of the Board are sent to the Directors for reviews and comments within a reasonable time after the meeting.

During the year under review, the Company held ten board meetings and one annual general meeting, and all Directors were entitled to attend such meetings. The attendance of each Director is set out below:

	Meeting attended/held	
	Board meetings	**Annual general meetings**
Executive Directors		
Mr. Cao Guoxian[1]	8/10	1/1
Mr. Li Fujing	9/10	1/1
Mr. Li Qingsong	10/10	1/1
Non-executive Director		
Ms. Hao Chunmei	9/10	1/1
Independent Non-executive Directors		
Mr. Pao Ping Wing	10/10	1/1
Mr. Cheng Kai Tai, Allen	10/10	1/1
Dr. Chan Yee Wah	10/10	1/1
Dr. Cao Fuguo[2]	5/6	1/1

Notes:

1. Mr. Cao Guoxian retired as an executive director of the Company with effect from 20 December 2023.

2. Dr. Cao Fuguo was appointed as an independent non-executive director of the Company with effect from 23 May 2023.

Provision C.2.7 of the Code provides that the chairman should hold one meeting with independent non-executive directors at least annually without the presence of other directors. During the year ended 31 December 2023, the Chairman of the Company held one meeting with the independent non-executive directors without the presence of other directors.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Provision C.1.4 of the Code provides that all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2023, all Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. During the year ended 31 December 2023, based on the training records provided to the Company by the Directors, the trainings and professional development attended by each Director are as follows:

	Type of training
Executive Directors	
Mr. Cao Guoxian	A,B
Mr. Li Fujing	A,B
Mr. Li Qingsong	A,B
Non-executive Director	
Ms. Hao Chunmei	A,B
Independent Non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	A,B
Dr. Chan Yee Wah	A,B
Dr. Cao Fuguo	A,B

Notes:

A: attending seminars/workshops/forums/training courses

B: reading newspapers, publications and updates in relation to economic and environmental issues or directors' duties and responsibilities, anti-corruption

DIRECTOR'S AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage for its Directors and Senior Management in connection with potential legal actions related to the performance of their duties.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman of the Company is responsible for the formulation of overall corporate direction and business development strategy of the Group. He is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

The chief executive officer of the Company is responsible for the day-to-day management of the Group and the implementation of the strategies approved by the Board.

NON-EXECUTIVE DIRECTOR

The non-executive Director has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, subject to retirement by rotation in accordance with the memorandum and articles of association of the Company.

DIVERSITY

The Company recognises and embraces the benefits of having a diverse board, and sees increasing diversity at Board level as an essential element in maintaining an effective Board to enhance the quality of its performance. The Board has adopted the board diversity policy (the "Board Diversity Policy") since March 2014 with an aim to promote broad experience and diversity on the Board. Such policy was revised by the Board in October 2022 and would be reviewed annually.

In designing the Board's composition, the Company seeks to achieve board diversity by taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service, and any other factors as the Board may from time to time deem relevant and applicable.

The Board currently has two female Directors out of seven Directors, achieving the gender diversity of the Board at 28.6%. The Board targets to maintain at least the current level of female representation. The members of the Board belong to different age groups, have different lengths of service with the Group and possess experience, expertise and qualifications in different industries.

The nomination committee will review this policy, as appropriate, to ensure the effectiveness of this policy. The nomination committee will review the composition of the board of directors at least once a year. The Board of Directors of the Company is of the view that the Board satisfies the Board Diversity Policy.

As of 31 December 2023, the ratio of the number of male to female employees among all staffs (including Senior Management) is approximately 77.8% to 22.2% as the Group is principally engaged in provision of waste treatment technologies and services. The Group recognises, and endeavours to protect, the rights of its employees and is committed to providing equal opportunities. The Group engages in transparent and fair recruitment practices, and fair remuneration and disciplinary decisions without regard to gender, age, family position, or ethnic background.

BOARD COMMITTEES

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions within its terms of reference. Such duties of the Board include:

(i) to develop and review corporate governance policies and practices of the Company;

(ii) to review and monitor the training and continuous professional development of Directors and Senior Management;

(iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct applicable to Directors and employees; and

(v) to review the Company's compliance with the Corporate Governance Code contained in the Appendix C1 to the Listing Rules and disclosures in the Corporate Governance Report.

During the year ended 31 December 2023, the Board has performed its corporate governance duties in accordance with its terms of reference.

Nomination Committee

The Board established the nomination committee (the "Nomination Committee") on 15 June 2006 with written terms of reference. During the year under review, the Nomination Committee comprises four members, the majority of whom are independent non-executive Directors. As at 31 December 2023, the chairman of the Nomination Committee is Mr. Li Fujing, an executive Director and the chairman of the Company and other members are three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah. The principal roles and functions of the Nomination Committee include:

– to review the structure, size and composition (including skills, knowledge and experience) of the Board at least annually, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

– to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;

– to assess the independence of the independent non-executive Director;

– to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer; and

– to review the Board Diversity Policy and recommend to the Board on any revisions to it, as appropriate, to ensure its effectiveness.

All nominations of new directors and Directors for re-election at annual general meeting are first considered by the Nomination Committee, its recommendations would then be put forward for the Board's decision. Subsequently, all those Directors are subject to election or re-election by the shareholders of the Company (the "Shareholder") at annual general meeting pursuant to the memorandum and articles of association of the Company. In considering the new appointment or re-election of Directors, the Nomination Committee will focus their decisions based on attributes such as integrity, loyalty, industry exposure and professional and technical skills together with the ability to contribute time and effort to carry out their duties effectively and responsibly.

During the year under review, the Nomination Committee held three meetings to deal with the following matters: (i) the re-nomination of Mr. Li Fujing, Ms. Hao Chunmei, Mr. Pao Ping Wing who were retiring at the annual general meeting held on 28 June 2023 as Directors and they were willing for re-election at the same annual general meeting; (ii) the nomination of Mr. Cao Fuguo as the independent non-executive Director of the Company; (iii) the nomination of Mr. Li Fujing as chairman of the Company and Mr. Li Qingsong as chief executive officer of the Company.

During the year under review, there were changes in the members of the Board and senior management of the Company. In evaluating these changes, the Nomination Committee would take into account various factors to ensure that such changes would have a positive impact on the Company and maintain the stability of the Company's operation. Meanwhile, the Nomination Committee would also pay close attention to the actual effects of such changes and adjust its strategies in a timely manner to cope with possible situations.

The individual attendance records of each member of the Nomination Committee is set out below:

	Meetings attended/held
Mr. Cao Guoxian[1]	2/3
Mr. Li Fujing[2] *(Chairman of the Nomination Committee)*	0/0
Mr. Pao Ping Wing	3/3
Mr. Cheng Kai Tai, Allen	3/3
Dr. Chan Yee Wah	3/3

Notes:

1. Mr. Cao Guoxian retired as the chairman of the Nomination Committee of the Company with effect from 20 December 2023.

2. Mr. Li Fujing was appointed as the chairman of the Nomination Committee of the Company with effect from 20 December 2023.

Remuneration Committee

The Company established the remuneration committee (the "Remuneration Committee") on 15 June 2006 with written terms of references. During the year under review, the Remuneration Committee comprises three members, the majority of whom are independent non-executive Directors. As at 31 December 2023, the chairman of the Remuneration Committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Cheng Kai Tai, Allen, an independent non-executive Director and Mr. Li Fujing, an executive Director and the Chairman. The principal roles and functions of the Remuneration Committee include:

– to make recommendations to the Board on the Company's overall policy and structure for remuneration of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy;

– to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

– either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management of the Company; or (ii) to make recommendations to the Board on the remuneration packages of individual executive directors and senior management; This should include benefits in kind, pension rights and compensation payments (including compensation payable for loss or termination of their office or appointment);

- to make recommendations to the Board of the remuneration of non-executive Directors;
- to consider salaries paid by comparable companies, time commitment, and responsibilities and employment conditions elsewhere in the Group;
- to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable, and not excessive;
- to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year under review, the Remuneration Committee held three meetings to consider and review the remuneration packages of all or individual Directors and Senior Management.

The individual attendance records of each member of the Remuneration Committee is set out below:

	Meetings attended/held
Mr. Pao Ping Wing *(Chairman of the Remuneration Committee)*	3/3
Mr. Cheng Kai Tai, Allen	3/3
Mr. Cao Guoxian[1]	2/3
Mr. Li Fujing[2]	0/0

Notes:

1. Mr. Cao Guoxian retired as a member of the Remuneration Committee with effect from 20 December 2023.

2. Mr. Li Fujing was appointed as a member of the Remuneration Committee with effect from 20 December 2023.

As incentive to attract, retain and motivate employees and Senior Management to strive for future business development and expansion of the Group, an annual appraisal had been conducted by the Company and employees have been rewarded a performance bonus based on the results of such annual appraisal.

Audit Committee

The Company established the audit committee (the "Audit Committee") on 15 June 2006 with written terms of reference in compliance with the Code. The Audit Committee comprises three independent non-executive Directors namely, Dr. Chan Yee Wah, Mr. Pao Ping Wing, and Mr. Cheng Kai Tai, Allen respectively. Dr. Chan Yee Wah is the chairlady of the Audit Committee. All members of the Audit Committee possess the necessary qualifications or experience in financial matters and are well versed and well exposed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the Audit Committee include:

- to consider and recommend to the Board on the appointment, re-appointment and removal of external auditors, and to approve their remuneration and employment terms, and any matter relating to their resignation and dismissal;
- to maintain an appropriate relationship with the Group's external auditors;
- to review the financial information of the Group;
- to oversee the Group's financial reporting system, risk management and internal control systems;
- to maintain an appropriate arrangement allowing employees of the Group to draw attention to improprieties in financial reporting, internal monitoring or otherwise; and
- to act as the key representative body for overseeing the Group's relations with the external auditor;

During the year under review, the Audit Committee had held three meetings with the Group's Senior Management and external auditors. The attendance records of each member of the Audit Committee is set out below:

	Meetings attended/held
Dr. Chan Yee Wah *(Chairlady of the Audit Committee)*	3/3
Mr. Pao Ping Wing	3/3
Mr. Cheng Kai Tai, Allen	3/3

The work performed by the Audit Committee during the year under review includes:

- reviewing the interim report and interim results announcement for the six months ended 30 June 2023;
- reviewing the annual report and annual results announcement for the year ended 31 December 2022;
- reviewing the accounting principles and practices adopted by the Group and other financial reporting matters;
- discussing with external auditor any significant findings and audit issues;
- discussing with the Management the effectiveness of the overall risk management and internal control systems of the Group, including financial, operational and compliance controls; and
- reviewing all significant business affairs managed by the executive Directors.

Minutes of the meetings of the Audit Committee have recorded the details of the matters considered by the members of the Audit Committee and the decisions reached. Drafts of these minutes were sent to the members of the Audit Committee for comments within a reasonable time after meeting.

AUDITOR'S REMUNERATION

For the year ended 31 December 2023, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	RMB'000
Audit service	3,804
Non-audit service	1,451
Total	5,255

RISK MANAGEMENT AND INTERNAL CONTROLS

Goals and objectives

The Board acknowledges that it is responsible for overseeing the risk management and internal control systems on an ongoing basis and reviewing their effectiveness. Such risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Company to identify and manage the significant risks it faces in achieving its business objectives (including environmental, social and governance risk), safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Company's risk governance structure clarifies the function of unified leadership to guarantee the overall work efficiency and the performance of their respective duties among departments and mutual cooperation, strengthen the internal control to improve its power of execution and builds the review mechanism of internal control to facilitate the effective operation of the system. The Company's risk governance structure and the main duties of each level of the structure are summarized as follows:

Board of Directors

– to determine the nature and extent of the risks the Company is willing to take in achieving the strategic objectives;

– to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;

– to oversee the Management in the design, implementation and monitoring of the risk management and internal control systems; and

– to ensure the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

Management

– to be responsible for the exhaustive risk identification and management, including the collection of risk information, the identification and evaluation of risks;

– to develop the main management guidelines and operations of daily business process of the Company, including the management methods of internal control, operating control manuals, operating control evaluation manuals, management rules, day-to-day execution and information disclosure; and

– to be responsible for carrying out the internal control process and self-check.

Internal Audit Department

The internal audit department performs the Company's internal audit function, and is responsible for the Company's risk management and internal control management function, including:

– to be responsible for leading the construction of internal control;

– to lead the risk assessment and build up the risk register;

– to formulate the risk-oriented internal auditing plan and perform independent internal control supervision and assessment; and

– to be responsible for reporting to the Audit Committee the results of internal control supervision and assessment.

Procedures for Identifying, Assessing and Managing Significant Risks

The Company's procedures for identifying, assessing and managing significant risks are summarized as follows:

Internal Environment

– in line with the Company's own internal development needs and the regulatory requirements of the regulatory authorities, the Company has adopted an internal control system with its own characteristics to gradually improve the standard of its corporate governance.

Risk Assessment

– to identify the Company's risks based on the risk preference and risk tolerance of the Company determined by the Board; and

– to prioritize the risks in accordance with their likelihood of occurrence and impact on the business.

Control Activities

– with reference to the basic standards for enterprise internal control and related guidelines, the Company has established sound management rules and processes.

Information and Communication

– to regularly report to the Board the results of risk monitoring, including the risk register, internal audit plan and work report prepared by external independent consultants.

Monitoring

In accordance with the internal control and management methods of the internal control, the Company:

– sets up the internal control organization system;

– formulates the specific procedures, methods and work requirements for the risk identification, construction, evaluation and issue of evaluation report; and

– includes the internal control evaluation into the performance appraisal system of the Company to ensure the effectiveness of internal control.

During the year, the Board has engaged an external independent internal control consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control systems and reported the findings of the reviews and recommendations to the Board to assist the Board in performing the annual review in terms of the effectiveness of risk management and internal control systems for the year ended 31 December 2023.

Pursuant to code provision D2.1 of the CG Code, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2023, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

Inside Information

The Company has formulated the policy for the handling and dissemination of inside information. The Company regularly reminds the Directors and employees of proper compliance with all policies on inside information. In addition, the Company also performed the internal training on disclosure requirements for listed companies in Hong Kong to update the relevant employees of latest regulatory requirements. The Company will regularly review and update the guidelines or policies to ensure compliance with regulatory requirements.

Whistleblowing Policy and Policies and Systems of Anti-corruption Laws and Regulations

The Company has established a whistleblowing policy that encourages employees and business-related third parties to report any violation of duties or misconduct within the Company and its subsidiaries in good faith, and to raise concerns of the Company's Audit Committee about any possible improprieties concerning the Company in anonymity.

The Company has adopted the Implementation Measures for Punishment and Prevention of Corruption in 2019 and has amended the Measures for Accountability for Illegal Operation and Investment in 2023, to be strict compliance with the Company's management system and regulate the conduct of employees and senior management, in order to prevent and eliminate all kinds of corrupt practices.

LEGAL COMPLIANCE

In order to promote the legal compliance and comprehensively improve the legal governance capabilities and level of the Company, the Company formally confirmed the establishment of the legal compliance leading group and the legal compliance committee (the "Legal Compliance Committee") under it in January 2019.

During 2023, under the leadership of the legal compliance leading group of the Company, the main tasks of the Legal Compliance Committee are as follows:

– regularly holds a meeting of the Legal Compliance Committee;

– 100% of the contracts, systems and significant decisions of the Company are fundamentally subject to legal review;

– completes the target set in the 2023 letter of responsibility for cleaning up cases;

– the legal affairs department carried out a centralized inspection as to the legal compliance by project subsidiaries, thus making recommendations on the rectification of the problems identified and supervising the completion of rectification; and

– organizes legal staff to attend professional training regularly and conducts a full promotion on the legal compliance of the Company.

JOINT COMPANY SECRETARY

Ms. Wong Bing Ni ceased to be the company secretary of the Company with effect from 8 December 2023.

Mr. Liu Yanjun and Ms. Lin Sio Ngo have been appointed as joint company secretaries of the Company with effect from 8 December 2023. Ms. Lin is the manager of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司) and is responsible for assisting Mr. Liu in discharging his duties as the company secretary of the Company. Ms. Lin's principal contact person at the Company is Mr. Liu Yanjun.

During the year ended 31 December 2023, Ms. Wong Bing Ni and Ms. Lin Sio Ngo had confirmed that they had taken no less than 15 hours of relevant professional training, in compliance with the requirements under Rule 3.29 of the Listing Rules. Mr. Liu Yanjun was appointed with effect from 8 December 2023 and Mr. Liu will receive relevant professional training during the year ending 31 December 2024 to ensure compliance with the requirements under Rule 3.29 of the Listing Rules.

All Directors are able to seek advice and services from the company secretary on the procedures of the Board and all applicable laws, rules and regulations, and corporate governance matters. The company secretary assists the chairman to prepare agendas and papers of the Board for meetings and disseminates such documents to the Directors and board committees in a timely manner. The company secretary maintains formal minutes of the meetings of the Board and the meetings of board committees.

CORPORATE CULTURE

The Board is committed to maintaining high corporate governance standards, actively promoting a corporate culture that is aligned with the Group's long-term objectives, values and business strategies at all levels of the Group in a top-down manner and integrating such corporate culture into its daily operation.

– Helping customers succeed: We pledge to provide our professional and systematic waste treatment services for our clients and contribute to the future of China's waste treatment industry.

– Upholding integrity: We believe the development of a company should be in harmony with the economy, society and the environment as a whole.

– Keeping innovating: We value technological advancements and thus we are committed to research and development. We also work closely with top international equipment and technology providers, ensuring our leadership position in know-how and quality services.

– Sharing responsibility and benefits: We establish solid partnerships with international renowned environmental management companies, creating synergy as we search for the most appropriate comprehensive environmental treatment solutions for plants operated by ourselves or our clients.

The Board evaluated and monitored the implementation and progress of the corporate culture and was satisfied with the progress of promotion.

During the reporting period, the Hong Kong office was closed due to the expiry of the lease of Hong Kong office of the Company. The Company and the Board confirmed that the closure of the Hong Kong office would not affect the daily operation of the Company.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by Shareholders

Pursuant to article 58 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request. Proposals of Shareholders may also be put forward to the Board in writing through contacting the company secretary by way of telephone number, email address or the Company's principal place of business in Hong Kong, as stated in our website.

Procedures for proposing an individual person for election as a Director

As regards the procedures for proposing an individual person for election as a Director, please refer to the "Procedures for Election of Directors" made available under the Corporate Governance section of the Company's website at www.cehl.com.hk.

Procedures for putting forward enquiries to the Board

Annual general meetings and EGMs provide an effective platform for Shareholders to communicate with the Board. Members of the Board (including members of the Audit Committee, the Remuneration Committee and the Nomination Committee) attended Shareholders' meetings and make themselves available to answer Shareholders' questions. Enquiries of Shareholders may also be put forward to the Board in writing through contacting the company secretary of the Company by way of telephone number, email address or the Company's principal place of business in Hong Kong, as stated in our website.

INVESTOR RELATIONS

Communication with Shareholders is given the highest priority by the Company. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conferences. Designated members of the Board and the Senior Management are given the specific responsibilities to maintain regular dialogues with institutional investors, potential institutional investors, fund managers, Shareholders and analysts to keep them abreast of the Company's development.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders of the Company in the presence of the Company's external auditors. All Directors and Senior Management will make the special effort to attend, notwithstanding their place of residence. External auditors' presence at the meeting would also allow them to address Shareholders' queries. Notice of general meetings together with relevant circulars shall be dispatched to Shareholders and they are encouraged to attend the annual general meeting and other general meetings. The procedure of general meeting is conducted in compliance with the Listing Rules and the articles of association of the Company, where sufficient time was given to Shareholders for consideration of resolutions proposed and for question and answer, leading to satisfactory communications between the Management and Shareholders. Announcement of the resolutions passed at such meeting was published on both the websites of the Stock Exchange and the Company in a timely manner.

The Board has reviewed the implementation and effectiveness of the Shareholders' communication policy during the year and considered that the policy was able to facilitate an open and ongoing communication with the Shareholders on fair disclosure basis.

During the year ended 31 December 2023, there was no significant change in the Articles of Association of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2023, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of the Company presents its report together with the audited consolidated financial statements for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and comprehensive income on pages 56 to 57 of this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2023 (a special dividend of HK$1 cent per ordinary share for the year ended 31 December 2022).

DIVIDEND POLICY

The Board aims to not only deliver continuous return to the Shareholders but also maintain sufficient reserve for the Group's future development. Pursuant to the dividend policy of the Company, the Board will consider various factors in determining whether to declare any dividend and the amount of the relevant dividend, including but not limited to (i) the actual and expected financial results and financial position of the Group; (ii) the expected working capital requirements, capital expenditure requirements and future expansion plans of the Group; (iii) the actual and future operation and liquidity position of the Group; (iv) the Group's debt-to-equity ratio, equity return ratio and committed financial covenants; (v) the general economic and political conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and (vi) any other factors that the Board deems appropriate.

The Company will still review the dividend policy from time to time and there is no assurance that dividends will be paid in any particular amount for any given period. The payment of dividends is also subject to the requirements of the laws of the Cayman Islands and the memorandum and articles of association of the Company.

BUSINESS REVIEW

A review of the business of the Group during the year, the Group's financial summary based on an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are set out under the section headed Management Discussion and Analysis on pages 8 to 19 of this annual report. The financial risk management objectives and policies of the Group can be found in note 41 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2023 (2022: Nil).

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 60 to 61 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 148 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

CORPORATE BONDS

On 29 May 2020, the Company issued publicly bonds with total amount of RMB1 billion in the PRC with a coupon rate of 3.10% and a maturity of 5 years, attached to which an option of the Company to adjust the coupon rate and an option of investors to resale at the end of the third interest-bearing year. The bonds were issued at par value of RMB100 each and were listed on the Shanghai Stock Exchange.

The bonds are covered by an irrevocable joint and several liability guarantee provided by Beijing Capital Group Co., Ltd., the controlling shareholder of the Company. The bonds are rated "AAA" by China Chengxin International Credit Rating Company Limited, a nationwide joint-stock non-bank financial institution engaged in credit rating, financial bond advisory and information services. All proceeds from issue of the bonds will be used to replenish the working capital for the Company's domestic operations and to repay interest-bearing debts.

The bonds were redeemed earlier in May 2023 at par value because the bond investors chose to resell all of the bonds. The Company will not resell the bonds in connection with this redemption, therefore, the bonds were delisted earlier from the Shanghai Stock Exchange on 8 June 2023. For details, please refer to the overseas regulatory announcement of the Company issued on 30 May 2023.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 29 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company or any of their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The list of Directors of the Company during the year ended 31 December 2023 and up to the date of this annual report is set out as follows:

Executive Directors

Mr. Cao Guoxian[1]
Mr. Li Fujing[2] *(Chairman)*
Mr. Li Qingsong[3] *(Chief Executive Officer)*

Non-executive Director

Ms. Hao Chunmei

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah
Dr. Cao Fuguo[4]

Notes:

1. Mr. Cao Guoxian retired as an executive director, the chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company with effect from 20 December 2023.

2. Mr. Li Fujing was re-designated from chief executive officer to chairman of the Board and appointed as chairman of the Nomination Committee and a member of the Remuneration Committee with effect from 20 December 2023.

3. Mr. Li Qingsong was re-designated from executive general manager to chief executive officer with effect from 20 December 2023.

4. Dr. Cao Fuguo was appointed as independent non-executive Director of the Company with effect from 23 May 2023.

In accordance with articles 87 of the articles of association of the Company, Mr. Li Qingsong, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers them to be independent. Three of independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, have been serving in the Company for more than 9 years. However, the independence of any of them has not been or will not be compromised or affected, especially in terms of the exercise of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah will and continue to make valuable contributions to the Company by providing balanced and objective opinions to the Board. On 23 May 2023, Dr. Cao Fuguo was appointed as an independent non-executive director of the Company in compliance with code provision B.2.4(b).

CHANGES IN INFORMATION OF DIRECTORS

The changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2023 interim report are as follows:

Name of Director	Particulars of the Changes
Independent non-executive Director:	
Mr. Pao Ping Wing	Served as an independent non-executive director of Global International Credit Group Limited (stock code: 1669) with effect from 1 January 2024;
Dr. Chan Yee Wah	Served as an independent non-executive director of ST International Holdings Company Limited (stock code: 8521) with effect from 5 December 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior Management are set out on pages 20 to 24 of this annual report.

PERMITTED INDEMNITY PROVISIONS

The permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance have been in force.

DIRECTORS' SERVICE CONTRACTS

Each of the executive and non-executive Directors has entered into a service contract with the Company for a term of three years, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS

There are no transactions, arrangement or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted during the year ended 31 December 2023 and at any time up to the date of this annual report.

MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, at no time during the year ended 31 December 2023 had the Company or any of its subsidiaries entered into any material contract with any controlling shareholder or any of its subsidiaries, nor had any material contract been entered into for the services provided by any controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2023, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, according to the information available to the Company and to the best of the knowledge of the Directors, none of the Directors, chief executives of the Company or their associates had interests and short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (b) recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

The Company has no any share option schemes currently in force.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2023, according to the information available to the Company and to the best of the knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held (Note 1)	Approximate percentage of shareholding (Note 1)
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 2)	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd.	Interest of a controlled corporation (Note 2)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner (Note 3)	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation (Note 2&3)	9,565,793,808 (L)	66.92%

Notes:

1. "L" means holding a long position in Shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 31 December 2023.

2. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Eco-Environment Protection Group Co., Ltd., which was controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Eco–Environment Protection Group Co., Ltd. were deemed to have interest in the shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

3. BCG Chinastar International Investment Limited was a wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. was deemed to be interested in the shares held by BCG Chinastar International Investment Limited for the purposes of the SFO.

Save as aforesaid, the Company and the Directors was not aware of any person (other than directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 31 December 2023 which were required to be notified to the Company pursuant to the provisions of divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following disclosable continuing connected transaction or connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Continuing Connected Transaction of Corporate Financing Guarantee Service

On 7 November 2017, Beijing Capital Environment Investment Limited（北京首創環境投資有限公司）("Capital Investment"), a wholly owned subsidiary of the Company and Beijing Capital Group Co., Ltd. ("Beijing Capital Group") entered into an entrustment guarantee agreement (the "Entrustment Guarantee Agreement"), pursuant to which Beijing Capital Group provides corporate financing guarantee service to Capital Investment. Beijing Capital Group, as the guarantor under the Entrustment Guarantee Agreement, agreed to provide guarantee to Ping An Asset Management Co., Ltd. ("Ping An Asset") in respect of a financing agreement, so as to procure that Ping An Asset provides the Group with a loan of up to RMB1,000,000,000 in aggregate. Capital Investment shall pay to Beijing Capital Group, a guarantee fee for such service which is calculated at the rate of 0.6% per annum on the total principal amount in respect of which Beijing Capital Group assumed the guarantee liability. Pursuant to the Entrustment Guarantee Agreement, the annual cap for the maximum guarantee fee payable by the Group was RMB6 million.

As at 31 December 2023, the Group drew down a sum of loans of RMB1,000 million from Ping An Asset under the Financing Agreement. The Group's guarantee fee payable to Beijing Capital Group for the year ended 31 December 2023 was approximately RMB0 million.

On 7 November 2017 (i.e. the date of the Entrustment Guarantee Agreement) and 31 December 2023 (i.e. the end date of the year under review), Beijing Capital Group was the controlling shareholder of the Company, indirectly holding 66.92% of the share capital of the Company. Beijing Capital Group is the connected person of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of the continuing connected transaction with respect to the payment of guarantee fee to Beijing Capital Group by Capital Investment exceed 0.1% but less than 5%, the transaction is subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

As the Company and Ping An Asset Management Co., Ltd. will no longer cooperate after the expiry of the Financing Agreement, the term of the Entrustment Guarantee Agreement is five years commencing from the date of the first drawdown of the loan. Therefore, the term of the Entrustment Guarantee Agreement has expired on 28 March 2023.

Pursuant to Rule 14A.56 of the Listing Rules, the Board appointed the auditor of the Company to carry out several agreed audit procedures in respect of the continuing connected transaction of the Group. The auditor reported to the Board, the actual audit findings of such procedures.

The independent non-executive Directors have reviewed the aforesaid continuing connected transaction and confirmed that such transaction was entered into:

1. in the ordinary and usual course of business of the Group;

2. on normal commercial terms or better; and

3. according to the agreement governing such transaction that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Connected transactions in relation to the Information system supply contract, the equipment procurement and construction contract, the general contracting agreement

On 5 December 2022, Xinxiang Capital Solid Environmental Energy Limited（新鄉市首創環境能源有限公司）("Xinxiang Capital"), an indirect non-wholly owned subsidiary of the Company, has entered into with Beijing Capital Air Environmental Science & Technology Co., Ltd.（北京首創大氣環境科技股份有限公司）("Beijing Capital Air") (i) the information system supply contract, pursuant to which Beijing Capital Air shall supply to Xinxiang Capital an intelligent information system for its waste incineration and power generation plant. The contract price under the information system supply contract is RMB7.956 million, which was the successful tender price offered by Beijing Capital Air in the public tender; and (ii) the equipment procurement and construction contract, pursuant to which Beijing Capital Air agreed to undertake the construction and installation work of the Xinxiang Domestic Waste Incineration Project, including equipment procurement, supply of labour, construction materials, ensuring meeting of the construction schedule, reporting construction progress, piping and wiring, ensuring construction-related safety, inspection and clearance, and liaison with relevant parties. The contract price under the equipment procurement and construction contract is RMB5.71 million, which was the successful tender price offered by Beijing Capital Air in the public tender. On the same day, Duyun Capital Environment Company Limited（都勻市首創環保有限公司）("Duyun Capital"), an indirect non-wholly owned subsidiary of the Company has entered into the general contracting agreement with Beijing Capital Air, pursuant to which Beijing Capital Air agreed to undertake as the general contractor for the design, procurement and construction work for the Duyun Overhaul Project. The contract price under the general contracting agreement is RMB25,795,023.13, which was the successful tender price offered by Beijing Capital Air in the public tender.

As at the date of 5 December 2022, Beijing Capital Eco-Environment Protection Group Co., Ltd.（北京首創生態環保集團股份有限公司）("Capital Eco Group") is deemed to have interest in approximately 45.11% of the issued Shares of the Company and is accordingly a substantial shareholder and a connected person of the Company. As Beijing Capital Air is directly held as to approximately 99.9999% by Capital Eco Group, Beijing Capital Air is an associate of the substantial shareholder of the Company pursuant to Rule 14A.13(1) of the Listing Rules and accordingly a connected person of the Company under the Listing Rules. Therefore, the above mentioned transactions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of each of the above mentioned transactions exceeds 0.1% but all are below 5%, each of the above mentioned transactions is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Connected Transaction in Relation to the Acquisition of Non-Controlling Interest in a Subsidiary

Beijing Capital Environment Investment Limited（北京首創環境投資有限公司）("Capital Investment"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement dated 20 November 2023 with Duyun State-owned Capital Operation Co., Ltd.（都勻市國有資本營運有限責任公司）("Duyun State-owned Capital"), Duyun City People's Government and Duyun Capital Environmental Protection Co., Ltd.*（都勻市首創環保有限公司）("Duyun Capital Environmental"), pursuant to which Capital Investment acquired a 37.91% equity interests in Duyun Capital Environmental Protection Co., Ltd.（都勻市首創環保有限公司）("Duyun Capital Environmental Protection") from Duyun State-owned Capital.

On 20 November 2023, the equity interests of Duyun Capital Environmental Protection are held as to 62.09% by Capital Investment and 37.91% by Duyun State-owned Capital. Pursuant to the sale and purchase agreement, Capital Investment has agreed to acquire 37.91% equity interest in Duyun Capital Environmental Protection from Duyun State-owned Capital for a total consideration of RMB52,000,000. As agreed between Capital Investment, Duyun State-owned Capital and Duyun City People's Government, the consideration shall be off-set by the debts (which are of an aggregate amount equivalent to the consideration and owed by Duyun City People's Government to Capital Investment) and shall be paid by Duyun City People's Government to Duyun State-owned Capital direct at the time and in a way as agreed between the said two parties. Following the completion of the relevant registration in respect of the transfer of equity interests, the consideration is deemed to be settled by Capital Investment to Duyun State-owned Capital while the debts are deemed to be repaid by Duyun City People's Government to Capital Investment.

As Duyun Capital Environmental Protection will become an indirect wholly-owned subsidiary of the Company upon completion of transaction, the Company is of the view that the acquisition would facilitate more effective implementation of the business strategies and business expansion plans of the Company in respect of Duyun Capital Environmental Protection's business. In addition, the acquisition would allow the Group to reconcile trade receivables in a timely manner and ensuring the normal production and operation of Duyun Capital Environmental Protection. Accordingly, the Directors (including the independent non-executive Directors) are of the view that the acquisition is on normal commercial terms which are fair and reasonable and in the ordinary and usual course of business of the Group, and is in the interest of the Company and its shareholders as a whole.

On 20 November 2023, Duyun State-owned Capital is a substantial shareholder of the Duyun Capital Environmental Protection and is regarded as a connected person of the Company at the subsidiary level. As such, the acquisition constitutes a connected transaction under Chapter 14A of the Listing Rules. The acquisition is subject to the announcement requirement but is exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules. For details, please refer to in the announcement of the Company dated 20 November 2023.

Related Party Transactions

During the year ended 31 December 2023, certain related party transactions as disclosed in note 38 to the consolidated financial statements constituted connected transaction or continuing connected transactions as defined in the Listing Rules. Save as disclosed in this annual report, none of the related party transactions as disclosed in note 38 to the consolidated financial statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 17.64% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 5.73%. Purchase from the Group's five largest suppliers accounted for 4.51% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 1.92%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the memorandum and articles of association of the Company or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 25 to 39 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's fulfillment of its environmental and social responsibilities will be set out in the Environmental, Social and Governance report, which will be uploaded to the website of the Company and the website of the Stock Exchange by the end of April 2024.

MAIN RISKS AND UNCERTAINTY

The main risks and uncertainties involved in the Group's operations. Compared with developed countries, the solid waste treatment sector in China had a late start with many subdivisions. At present, China's solid waste treatment sector is undergoing a period of strategic adjustment. The traditional end-of-pipe treatment field is basically finalized, while the emerging fields are in the ascendant. The traditional landfill operation has entered a period of decline, while the site restoration market is developing rapidly. The waste incineration industry has become very mature with a complete business model, and the environmental sanitation industry has gradually matured following a rapid development period.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the year ended 31 December 2023.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board and the management, the Group is in compliance with applicable laws and regulations that may have significant effect on the business and operations of the Group. The Group did not record any material losses and impacts arising from non-compliance with the regulations during the year ended 31 December 2023. Details are set out in the section headed "Management Discussion and Analysis" of this annual report.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The details of an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company are set out in the section headed "Management Discussion and Analysis" of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chairman
Li Fujing

Beijing, 22 March 2024

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Capital Environment Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 56 to 147, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Accounting treatment for service concession arrangements	
The Group entered into service concession arrangements with government authorities or their designators in respect of the waste management and waste-to-energy business in the People's Republic of China. The arrangements were accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*. The accounting treatment for service concession arrangements involved significant management judgements and estimates, including the determination of applicable accounting models, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and the determination of the percentage of completion of construction services. As a result, we identified the accounting treatment for service concession arrangements as a key audit matter. The accounting policies and disclosures for service concession arrangements are included in notes 2.4, 3, 5, 17, 20 and 21 to the financial statements.	Our audit procedures included the following, among others: – We evaluated the accounting models adopted by the Group and assessed the future guaranteed receipts by reviewing the contract terms of the service concession arrangements. We performed a comparison of the inputs to the accounting models with external market data, especially for gross margin, for which we considered the observable market data and comparable companies in the industry. In addition, we involved our internal valuation specialists to assist us in evaluating the discount rates. – We evaluated management's assessment of measuring progress towards complete satisfaction of a performance obligation based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation. We inquired management about the status of significant projects under construction and examining independent surveyors' reports. We tested the underlying data adopted by the independent surveyors engaged by the Group, which included checking the purchase contracts, invoices and goods delivery notes for construction costs. We also obtained an understanding of and tested management's process of estimating the total budget cost and costs to completion for incomplete construction contracts. In addition, we assessed the adequacy of the relevant disclosures.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of other intangible assets in relation to service concession arrangements	
As at 31 December 2023, the carrying amount of other intangible assets in relation to service concession arrangements amounted to RMB4,800 million represented waste treatment and waste-to-energy operating rights where the Group has the right to charge local government authorities for treating waste and to charge the other users for products produced during the waste treatment process. Under HKAS 36, the Group is required to perform impairment testing of other intangible assets in relation to service concession arrangements when an indicator of impairment has been identified. The process requires management to make assumptions to be used in the underlying cash flow forecasts, in particular those related to the future revenue growth rate, operating margins and discount rate. Management performed impairment testing with respect to the assets of those loss-making projects during the operation phase with a total gross amount of RMB1,142 million as at 31 December 2023 and impairment amounting to RMB198 million was provided for in the current year. Given the level of judgement involved and the significance of the amounts, we considered this as a key audit matter. The accounting policies and disclosures of impairment of other intangible assets in relation to service concession arrangements are included in notes 2.4, 3 and 17 to the financial statements.	Our audit procedures included the following, among others: – We evaluated the Group's policies and procedures to identify triggering events for potential impairment of assets related to the underperforming cash-generating units and management's assessment on impairment indicators. – We evaluated the methodologies and discount rate used by the Group with the assistance of our internal valuation specialists. We compared the key assumptions used in the impairment test made by management, i.e., the future revenue growth rate over the concession period and operating margin, to the historical performance of the Group, management's business development plan and the future prospects of the business. – We reviewed the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management. We also assessed the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables	
As at 31 December 2023, the carrying amounts of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables amounted to RMB9,429 million, RMB1,251 million and RMB2,079 million respectively, net of provision for expected credit losses of RMB112 million, RMB6 million and RMB90 million. Significant management judgements and estimations are involved in the assessment of expected credit losses after considering historical events, current conditions and forward looking credit risk information. As a result, we identified the impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables as a key audit matter requiring special audit consideration. The accounting policies and disclosures of impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables are included in notes 2.4, 3, 20, 21 and 24 to the financial statements.	Our audit procedures included the following, among others: – We obtained an understanding of managements' basis in determining expected credit losses. – We evaluated managements' basis of estimation of loss rated by checking aging profiles and historical settlement patterns on sample basis. – We evaluated the methodology of expected credit losses calculation and the key parameters used with reference to external available data sources. In addition, we assessed the adequacy of the relevant disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Melody Lam Siu Wah.

Ernst & Young
Certified Public Accountants
Hong Kong
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 *RMB'000*	2022 *RMB'000*
CONTINUING OPERATIONS			
REVENUE	5	**4,076,596**	4,588,955
Cost of sales		**(2,689,827)**	(3,201,352)
Gross profit		**1,386,769**	1,387,603
Other income and gains	5	**84,495**	309,702
Selling expenses		**(28,856)**	(17,108)
Administrative expenses		**(379,828)**	(431,333)
Other expenses		**(216,405)**	(490,453)
Impairment losses on financial and contract assets, net		**(112,946)**	(64,335)
Finance costs	7	**(440,919)**	(544,670)
Share of profits of associates		**3,614**	6,182
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**295,924**	155,588
Income tax expense	10	**(37,535)**	(43,675)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**258,389**	111,913
Attributable to:			
Owners of the parent		**285,380**	128,533
Non-controlling interests		**(26,991)**	(79,401)
Owners of the preference shares		**–**	62,781
		258,389	111,913
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**–**	2,941,430
PROFIT FOR THE YEAR		**258,389**	3,053,343
Attributable to:			
Owners of the parent		**285,380**	1,628,662
Non-controlling interests		**(26,991)**	1,361,900
Owners of the preference shares		**–**	62,781
		258,389	3,053,343
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13		
For profit for the year		**RMB2.00 cents**	RMB11.39 cents
For profit from continuing operations		**RMB2.00 cents**	RMB0.90 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
PROFIT FOR THE YEAR	**258,389**	3,053,343
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	(802)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	4,014
Income tax effect	**–**	79
	–	3,291
Exchange differences:		
Exchange differences on translation of foreign operations	**(8,331)**	(195,982)
Reclassification adjustments for a foreign operation disposed of during the year	**–**	379,709
	(8,331)	183,727
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(8,331)**	187,018
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**(6,800)**	(9,664)
Exchange differences:		
Exchange differences on translation of the parent company	**–**	427,024
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(6,800)**	417,360
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(15,131)**	604,378
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**243,258**	3,657,721
Attributable to:		
Owners of the parent	**274,330**	1,794,664
Non-controlling interests	**(31,072)**	1,800,276
Owners of the preference shares	**–**	62,781
	243,258	3,657,721

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**525,001**	547,756
Right-of-use assets	15	**74,489**	88,355
Goodwill	16	**6,055**	6,055
Other intangible assets	17	**4,803,394**	3,990,473
Investments in associates	18	**41,388**	42,164
Trade receivables	24	**78,853**	107,422
Equity investment designated at fair value through other comprehensive income	19	**200**	7,001
Deferred tax assets	31	**46,443**	56,833
Concession financial assets	20	**7,797,224**	7,182,407
Contract assets	21	**469,620**	1,826,112
Prepayments, other receivables and other assets	22	**107,275**	114,688
Pledged deposits	25	**6,849**	3,278
Total non-current assets		**13,956,791**	13,972,544
CURRENT ASSETS			
Inventories	23	**77,616**	65,230
Concession financial assets	20	**1,631,688**	1,432,800
Contract assets	21	**910,285**	405,346
Trade receivables	24	**2,000,260**	1,694,538
Prepayments, other receivables and other assets	22	**1,015,087**	1,020,784
Pledged deposits	25	**33,628**	33,948
Cash and cash equivalents	25	**661,811**	1,512,806
Total current assets		**6,330,375**	6,165,452
CURRENT LIABILITIES			
Trade payables	26	**1,650,810**	1,786,155
Other payables and accruals	27	**261,067**	412,427
Deferred income	28	**17,047**	15,962
Interest-bearing bank and other borrowings	29	**1,364,343**	1,233,041
Corporate bonds	30	**–**	997,536
Lease liabilities	15	**21,911**	33,625
Amounts due to related parties		**141,012**	25,135
Tax payable		**71,879**	125,997
Total current liabilities		**3,528,069**	4,629,878
NET CURRENT ASSETS		**2,802,306**	1,535,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,759,097**	15,508,118

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	28	**297,554**	297,733
Interest-bearing bank and other borrowings	29	**9,107,701**	7,874,452
Deferred tax liabilities	31	**657,977**	651,849
Total non-current liabilities		**10,063,232**	8,824,034
Net assets		**6,695,865**	6,684,084
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	32	**1,275,167**	1,275,167
Reserves	33	**5,154,223**	5,218,181
		6,429,390	6,493,348
Non-controlling interests		**266,475**	190,736
Total equity		**6,695,865**	6,684,084

Li Fujing
Director

Li Qingsong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to equity holders of the Company												
	Issued Capital (note 31) *RMB'000*	Share premium *RMB'000*	Other equity instruments *RMB'000*	Capital reserve *RMB'000*	Capital redemption reserve *RMB'000*	Merger reserve *RMB'000*	Cash flow hedge reserve *RMB'000*	Fair value reserve of financial assets at fair value through other comprehensive income *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	1,188,219	1,670,391	1,367,694	4,702	–	(481,084)	(4,179)	431	(28,069)	2,492,791	6,210,896	1,505,725	7,716,621
Profit for the year	–	–	–	–	–	–	–	–	–	1,691,443	1,691,443	1,361,900	3,053,343
Other comprehensive income for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	–	(9,664)	–	–	(9,664)	–	(9,664)
Cash flow hedge, net of tax	–	–	–	–	–	–	4,179	–	–	–	4,179	(888)	3,291
Exchange differences on translation of the parent company	–	–	–	–	–	–	–	–	427,024	–	427,024	–	427,024
Exchange differences related to foreign operations	–	–	–	–	–	–	–	–	(449,189)	–	(449,189)	253,207	(195,982)
Reclassification adjustments for a foreign operation disposed of during the year	–	–	–	–	–	–	–	–	193,652	–	193,652	186,057	379,709
Total comprehensive income for the year	–	–	–	–	–	–	4,179	(9,664)	171,487	1,691,443	1,857,445	1,800,276	3,657,721
Conversion of the functional currency	86,948	249,917	120,889	–	–	–	–	–	(202,851)	(254,903)	–	–	–
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	1,108	1,108
Preference shares repurchased and dividend paid	–	(1,457,706)	(1,488,583)	–	1,488,583	–	–	–	–	(117,287)	(1,574,993)	–	(1,574,993)
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(138,959)	(138,959)
De-registration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(10,000)	(10,000)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,724,055)	(1,724,055)
Capital reduction from a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(1,243,359)	(1,243,359)
At 31 December 2022	1,275,167	462,602	–	4,702	1,488,583	(481,084)	–	(9,233)	(59,433)	3,812,044	6,493,348	190,736	6,684,084

Year ended 31 December 2023

	Attributable to equity holders of the Company												
	Issued capital (note 31) RMB'000	Share premium RMB'000	Other equity instruments RMB'000	Capital reserve RMB'000	Capital redemption reserve** RMB'000	Merger reserve RMB'000	Other Reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	1,275,167	462,602	-	4,702	1,488,583	(481,084)	-	(9,233)	(59,433)	3,812,044	6,493,348	190,736	6,684,084
Profit for the year	-	-	-	-	-	-	-	-	-	285,380	285,380	(26,991)	258,389
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(6,800)	-	-	(6,800)	-	(6,800)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	(4,250)	-	(4,250)	(4,081)	(8,331)
Total comprehensive income for the year	-	-	-	-	-	-	-	(6,800)	(4,250)	285,380	274,330	(31,072)	243,258
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	23,299	23,299
Final 2022 dividend declared	-	-	-	-	-	-	-	-	-	(130,694)	(130,694)	-	(130,694)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(124,082)	(124,082)
Provision for Safety Production fund	-	-	-	-	-	-	10,507	-	-	(10,507)	-	-	-
Others	-	-	-	-	-	-	-	-	(207,594)	-	(207,594)	207,594	-
At 31 December 2023	1,275,167	462,602*	-	4,702*	1,488,583*	(481,084)*	10,507*	(16,033)*	(271,277)*	3,956,223*	6,429,390	266,475	6,695,865

* These reserve accounts comprise the consolidated reserves of RMB5,154,223,000 (2022: RMB5,218,181,000) in the consolidated statement of financial position.

Merger reserve represents the difference between the fair value of the consideration paid for the acquisition of a 51% interest in BCG NZ Investment Holding Limited ("BCG NZ"), which is under common control of the Company's ultimate controlling shareholder at the point of acquisition, and the carrying amounts of the net assets of BCG NZ acquired. BCG NZ was disposed of in 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**295,924**	155,588
From a discontinued operation		**–**	2,958,130
Adjustments for:			
Depreciation of property, plant and equipment	14	**62,797**	111,235
Amortisation of other intangible assets	17	**219,866**	167,730
Depreciation of right-of-use assets	15	**11,859**	26,942
Loss on disposal of items of property, plant and equipment		**22**	945
Gain on termination of a service concession arrangement	5	**–**	(17,562)
Gain on disposal of the discontinued operation	11	**–**	(2,670,949)
Write-down of assets classified as held for sale to fair value	6	**–**	7,960
Impairment of prepayments, other receivables and other assets	6	**2,891**	893
Impairment of trade receivables	24	**36,585**	30,463
Impairment of concession financial assets and relevant contract assets	6	**73,470**	37,162
Impairment of other intangible assets	6	**197,800**	97,100
Impairment loss recognised on property, plant and equipment	6	**6,834**	98,175
Impairment loss recognised on goodwill	6	**–**	30,617
Impairment loss recognised on right-of-use assets	6	**3,638**	–
Share of profits of joint ventures		**–**	(42,853)
Share of profits of associates		**(3,614)**	(6,182)
Interest income		**(535,519)**	(649,920)
Finance costs	7	**440,919**	650,745
Fair value gains of derivative financial instruments	6	**–**	(118,796)
Gain on termination of a lease contract	6	**(2,838)**	–
Gain on de-registration of a subsidiaries	6	**–**	(3,265)
		810,634	864,158
Increase in inventories		**(12,386)**	(25,551)
Decrease/(increase) in concession financial assets and relevant contract assets in relation to service concession arrangements		**76,440**	(45,176)
Increase in trade receivables		**(284,329)**	(315,656)
Increase in other contract assets		**(595,780)**	(292,963)
(Increase)/decrease in prepayments, other receivables and other assets		**(36,951)**	62,820
Decrease in deferred income		**1,602**	66,509
Decrease in trade payables		**(144,910)**	(201,883)
Decrease in other payables and accruals		**(124,403)**	(152,682)
Decrease in provision		**–**	(8,782)
Cash used in operations		**(310,083)**	(49,206)
Profits tax paid		**(75,135)**	(182,786)
Net cash flows used in operating activities		**(385,218)**	(231,992)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Net cash flows used in operating activities		**(385,218)**	(231,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(39,397)**	(288,639)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		**(250,368)**	(731,127)
Additions to other intangible assets		**(489)**	(58)
Proceeds from disposal of items of property, plant and equipment		**2,064**	32,595
Decrease in assets held for sale		**–**	661,185
Dividends received from joint ventures		**–**	66,058
Dividends received from an associate		**4,390**	4,297
Interest received		**9,403**	95,466
Acquisition of subsidiaries		**(6,040)**	(50,620)
Disposal of subsidiaries		**–**	134,810
Disposal of the discontinued operation		**46,275**	4,469,792
Received from disposal of the discontinued operation's debt		**–**	3,126,423
Disposal of a service concession arrangement		**–**	80,000
(Increase)/decrease in pledged deposits		**(3,251)**	520
Net cash flows (used in)/from investing activities		**(237,413)**	7,600,702
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(346,672)**	(494,411)
New bank and other borrowings		**3,124,832**	4,574,872
Principal portion of lease payments		**(11,445)**	(21,151)
Repayment of bank and other borrowings		**(1,754,791)**	(7,012,012)
Repayment of corporate bonds	30	**(1,000,000)**	–
Dividends paid to non-controlling shareholders		**(124,082)**	(1,724,055)
Dividends paid to shareholders		**(130,694)**	–
Preference shares repurchased and dividend paid		**–**	(1,574,993)
Capital contribution from non-controlling shareholders of subsidiaries		**23,299**	1,108
Capital de-registration from a non-controlling shareholder		**–**	(10,000)
Capital reduction from a non-controlling shareholder		**–**	(1,243,359)
Net cash flows used in financing activities		**(219,553)**	(7,504,001)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(842,184)**	(135,291)
Cash and cash equivalents at beginning of year		**1,512,806**	1,682,745
Effect of foreign exchange rate changes, net		**(8,811)**	(34,648)
CASH AND CASH EQUIVALENTS AT END OF YEAR	25	**661,811**	1,512,806
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**702,288**	1,550,032
Pledged deposits	25	**(40,477)**	(37,226)
Cash and cash equivalents as stated in the statement of cash flows		**661,811**	1,512,806

1. CORPORATE AND GROUP INFORMATION

Capital Environment Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 13 July 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

The Company and its subsidiaries (the "Group") is involved in the waste treatment and waste-to-energy business.

The immediate holding company of the Company is Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), a company incorporated in Hong Kong, and the ultimate holding company is Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), a state-owned enterprise registered in the People's Republic of China ("PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Capital Environment Investment Limited (首創環保投資有限公司)	Hong Kong	HK$500,000,000	100	–	Investment holding
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	PRC/Chinese Mainland	RMB484,000,000	–	100	Waste treatment and waste-to-energy generation
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	PRC/Chinese Mainland	RMB60,000,000	–	100	Kitchen waste treatment
Beijing Capital Environment Investment Limited (北京首創環境投資有限公司)	PRC/Chinese Mainland	RMB2,704,000,000	–	100	Provision of technical services
Duyun Kelin Environment Company Limited (都勻市科林環保有限公司)	PRC/Chinese Mainland	RMB40,000,000	–	100	Municipal solid waste treatment
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	PRC/Chinese Mainland	RMB200,250,000	–	100	Municipal solid waste treatment
Duyun Capital Environmental Sanitation Services Limited (都勻市首創環衛服務有限公司)	PRC/Chinese Mainland	RMB5,000,000	–	100	Waste collection and transportation
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	PRC/Chinese Mainland	RMB21,000,000	–	100	Municipal solid waste treatment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	PRC/Chinese Mainland	RMB99,320,000	–	97.99	Waste treatment and waste-to-energy generation
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	95	Recycling and disassembly of waste electrical and electronic equipment
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)*	PRC/Chinese Mainland	RMB500,600,000	–	98.95	Waste treatment and waste-to-energy generation
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境治理有限公司)	PRC/Chinese Mainland	RMB40,000,000	–	100	Municipal solid waste treatment
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	PRC/Chinese Mainland	RMB60,000,000	–	70	Kitchen waste treatment
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司)*	PRC/Chinese Mainland	RMB90,200,000	–	60	Kitchen waste treatment
Yangzhou Capital Solid Environment Technology Limited (揚州首拓環境科技有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	100	Hazardous waste treatment
Beijing Capital Environment Technology Company Limited (北京首創環境科技有限公司)**	PRC/Chinese Mainland	RMB180,646,295	–	100	Provision of technical services
Yangzhou Capital Investment Limited (揚州首創投資有限公司)**	PRC/Chinese Mainland	RMB60,500,000	–	100	Investment holding
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	PRC/Chinese Mainland	RMB110,000,000	–	60	Waste treatment and waste-to-energy generation
Xihua Capital Environment Resources Limited (西華首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste collection and transportation
Xihua Capital Environment Sanitation Limited (西華首創環衛有限公司)	PRC/Chinese Mainland	RMB15,000,000	–	100	Waste treatment and waste-to-energy generation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司)	PRC/Chinese Mainland	RMB128,730,000	–	100	Hazardous waste treatment
Shicheng Capital Environment Limited (石城縣首創環保有限公司)	PRC/Chinese Mainland	RMB20,000,000	–	60	Municipal solid waste treatment
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suixian Capital Environmental Sanitation Limited (睢縣首創環衛有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司)**	PRC/Chinese Mainland	RMB86,400,000	–	100	Waste treatment
Guangchang Capital Environment Co., Ltd. (廣昌縣首創環保有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Shenzhen Qianhai Capital Environment Investment Limited (深圳前海首創環境投資有限公司)**	PRC/Chinese Mainland	HK$2,200,000,000	100	–	Investment holding
Linyi Capital Environmental Hygiene Limited (臨猗首創環衛有限公司)	PRC/Chinese Mainland	RMB7,000,000	–	100	Waste collection and transportation
Duyun Capital Environment Company Limited (都匀市首創環保有限公司)	PRC/Chinese Mainland	RMB137,160,000	–	100	Waste treatment and waste-to-energy generation
Jiangxi Ruijin Ai Si Environmental Electric Limited (瑞金首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	97	Waste treatment and waste-to-energy generation
Lushan Capital Environment Energy Company Limited (魯山首創環保能源有限公司)	PRC/Chinese Mainland	RMB110,000,000	–	90	Waste treatment and waste-to-energy generation
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	90	Waste treatment and waste-to-energy generation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suiping Capital Environmental Sanitation Company Limited (遂平首創城鄉環衛有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Waste collection and transportation
Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司)	PRC/Chinese Mainland	RMB80,700,000	–	55	Construction waste treatment technical services
Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司)	PRC/Chinese Mainland	RMB5,000,000	–	100	Waste treatment
Beijing Capital Solid Environment Technology Co., Ltd. (北京首拓環境科技有限公司)**	PRC/Chinese Mainland	RMB50,000,000	–	100	Provision of technical services
Dingxi Capital Solid Environment Energy Co., Ltd. (定西首拓環保能源有限公司)	PRC/Chinese Mainland	RMB4,480,000	–	100	Waste collection and transportation
Luoyang Capital Solid Environment Services Co., Ltd. (洛陽首拓環境服務有限公司)	PRC/Chinese Mainland	RMB3,000,000	–	80	Hazardous waste treatment
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	PRC/Chinese Mainland	RMB100,000,000	–	80	Waste treatment and waste-to-energy generation
Huainan Capital Environment Recovery Engineering Co., Ltd. (淮南首創環境修復工程有限公司)	PRC/Chinese Mainland	RMB66,900,000	–	100	Restoration and operation of waste accumulation sites
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	PRC/Chinese Mainland	RMB28,571,500	–	100	Municipal solid waste treatment
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Municipal solid waste treatment
Yutian Capital Environmental Energy Co., Ltd. (玉田首創環保能源有限公司)	PRC/Chinese Mainland	RMB106,920,000	–	100	Waste treatment and waste-to-energy generation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Gaoan Capital Environmental Sanitation Co., Ltd. (高安首創環衛有限公司)	PRC/Chinese Mainland	RMB20,000,000	–	51	Waste collection and transportation
Zhumadian Tailai Environmental Protection Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	PRC/Chinese Mainland	RMB350,842,420	–	91.45	Waste treatment and waste-to-energy generation
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	PRC/Chinese Mainland	RMB80,000,000	–	100	Biomass incineration power generation
Beijing Capital Shunzheng Environmental Energy Technology Co., Ltd. (北京首創順政環保能源科技有限公司)	PRC/Chinese Mainland	RMB50,000,000	–	51	Waste treatment and waste-to-energy generation
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	PRC/Chinese Mainland	RMB135,000,000	–	100	Waste treatment and waste-to-energy generation
Duchang Capital Environmental Energy Co., Ltd. (都昌縣首創環保能源有限公司)	PRC/Chinese Mainland	RMB193,000,000	–	100	Waste treatment and waste-to-energy generation
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)	PRC/Chinese Mainland	RMB125,000,000	–	100	Waste treatment and waste-to-energy generation
Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司)	PRC/Chinese Mainland	RMB66,650,000	–	89.91	Municipal solid waste treatment
Fuzhou Capital Haihuan Environmental Technology Co., Ltd. (福州首創海環環保科技有限公司)*	PRC/Chinese Mainland	RMB113,690,000	51	0.44	Kitchen waste treatment
Fuzhou Capital Solid Environment Development Co., Ltd. (福州首拓環境發展有限公司)	PRC/Chinese Mainland	RMB10,000,000	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PRC/Chinese Mainland	RMB91,078,900	–	89.8	Waste treatment and waste-to-energy generation
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司)	PRC/Chinese Mainland	RMB220,000,000	–	88.5	Waste treatment and waste-to-energy generation
Huojia Capital Environmental Treatment Co., Ltd. (獲嘉縣首創環境治理有限公司)	PRC/Chinese Mainland	RMB14,700,000	–	66.7	Municipal solid waste treatment
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)	PRC/Chinese Mainland	RMB78,600,000	–	99	Waste treatment and waste-to-energy generation
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	PRC/Chinese Mainland	RMB92,000,000	–	100	Biomass incineration power generation
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	PRC/Chinese Mainland	RMB118,000,000	–	100	Waste treatment and waste-to-energy generation
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	PRC/Chinese Mainland	RMB116,608,100	–	99	Waste treatment and waste-to-energy generation
Fangcheng Capital Environmental Energy Technology Co., Ltd. (方城首創環境能源科技有限公司)	PRC/Chinese Mainland	RMB108,299,763	–	99.9	Waste treatment and waste-to-energy generation
Shenzhou Capital Environmental Sanitation Co., Ltd. (深州首創環衛有限公司)	PRC/Chinese Mainland	RMB8,210,000.00	–	100	Waste collection and transportation
Dali Capital Environmental Restoration Co. LTD (大理首創環境修復有限公司)	PRC/Chinese Mainland	RMB50,000,000	–	89	Environment Restoration
Sanhe Capital Sanitation Co. LTD (三河市首創環衛有限公司)	PRC/Chinese Mainland	RMB27,810,000	–	90	Municipal solid waste treatment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xinjiang Tianfu Waste Incineration Power Generation Co. LTD (新疆天富垃圾焚燒發電有限責任公司)	PRC/Chinese Mainland	RMB450,000,000	–	100	Waste treatment and waste-to-energy generation
Ma 'anshan Shouhui Urban Environmental Services Co., LTD (馬鞍山首匯城市環境服務有限公司)	PRC/Chinese Mainland	RMB14,488,000	–	51	Municipal solid waste treatment
Ma 'anshan Jingkai Shouhuan Urban Environmental Services Co., LTD (馬鞍山經開首環城市環境服務有限公司)	PRC/Chinese Mainland	RMB9,163,000	–	51	Municipal solid waste treatment
Xinye Capital Environmental Technology Co., LTD (新野首創環境科技有限公司)	PRC/Chinese Mainland	RMB10,600,000	–	99.9	Municipal solid waste treatment

* The entities are registered as Sino-foreign equity joint ventures.

** The entities are wholly-foreign-owned enterprises under PRC law.

The other subsidiaries registered in the PRC are domestic companies with limited liability under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 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 ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 31 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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 a 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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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 flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Except that the depreciation of landfill development costs is based on the portion used in the financial period as compared to the total anticipated waste volume of the landfill concerned, depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	4.00%
Plant, machinery and equipment	6.67% to 20.00%
Motor vehicles	6.67% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Customer contracts

Customer contracts are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 16 to 19 years.

Service concession arrangements

Service concession arrangements recognised as intangible assets are stated at cost less any impairment losses and are amortised on a straight-line basis over their estimated useful lives of 15 to 30 years.

Licences and franchises

Licences and franchises with definite useful lives are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 2 to 27 years. Licences and franchises with indefinite useful lives are not amortised but tested for impairment annually.

Trade names and trademarks

Trade names and trademarks are intangible assets with indefinite useful lives and are not amortised but tested for impairment annually.

Software

Software is stated at cost less any impairment losses and is amortised on a straight-line basis over its estimated useful lives of 2 to 10 years.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underling products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Buildings	1 to 51 years
Plant, machinery and equipment	1 to 52 years
Motor vehicles	1 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Service concession arrangements

When the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the government authorities or their designators for the construction services and the government authorities or their designators have little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses.

When the Group has a right to charge users of public services as a consideration for providing service in a service concession arrangement, which is not an unconditional right to receive cash because the amounts are contingent on the extent of waste treatment/electricity generation. The right is recognised as an intangible asset at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible asset arising from a service concession arrangement is calculated to write off their costs over their useful lives, using a straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

The Group has contractual obligations under the service concession arrangements to maintain the infrastructure to a specified level of serviceability, or to restore the infrastructure to a specified condition before it is handed over to the government authorities or their designators at the end of the service concession arrangement. These contractual obligations to maintain and restore the infrastructure are measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, amounts due to related parties and interest-bearing bank and other borrowings.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cost of inventories includes the transfer from equity of gains and losses on qualifying cash flow hedges in respect of the purchases of raw materials.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (a) the amount that would be recognised in accordance with the general policy for provisions above; and (b) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Government grants *(Continued)*

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) *Sale of goods*

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the by-products during the waste treatment process.

(b) *Construction services*

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(c) *Waste management services*

Revenue from waste management services is recognised at a point in time when services are rendered to the customers.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Employee benefits

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees of the subsidiaries in Chinese Mainland are members of state-managed retirement benefit schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefit schemes in the PRC based on certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The employees of the subsidiaries in New Zealand are members of KiwiSaver schemes operated by the New Zealand government. The employees are allowed to join the schemes voluntarily by contributing a certain level of the gross pay on a monthly basis, while the employer would be compulsorily obligated to contribute to the schemes once the employees join. The New Zealand government is responsible for the pension liability to these retired staff. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

The Group also operates various defined contribution retirement benefit schemes for those employees other than in Hong Kong, Chinese Mainland and New Zealand. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of these schemes. The assets of these schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB and the Company's functional currency is RMB. The presentation currency of RMB is in alignment with Beijing Capital (HK) and Beijing Capital Group. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on changes in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain non-PRC subsidiaries and joint ventures are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of non-PRC subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Service concession arrangements

The Group has entered into build-operate-transfer ("BOT"), transfer-operate-transfer ("TOT") and build-operate-own ("BOO") arrangements in respect of its waste treatment and waste-to-energy projects. The Group concluded that all the BOT, TOT and BOO arrangements are service concession arrangements under HK(IFRIC)-Int 12, because the local government authorities control and regulate the services, and the Group must provide the relevant services with the infrastructure at a pre-determined service charge. In respect of BOT and TOT arrangements, upon expiry of service concession arrangements, the infrastructure has to be transferred to the local government authorities at nil consideration. Infrastructure for BOO arrangements is used in the service concession arrangements for its entire or substantially entire useful life.

Judgement is also involved in determining the fair value of the concession financial assets. Discount rates, estimates of future cash flows and other factors are used in the valuation process.

The Group seeks to collect claims from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract, which give rise to variable consideration. The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for claims in construction services, given there is a wide range of possible outcomes which are subject to negotiations with the government authorities or their designators ("Grantor").

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, current negotiations with the Grantor, profitability of the head contracts of the Grantor and the current economic conditions.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Judgements *(Continued)*

Tax provisions

Determining tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are set up accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

No deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for expected credit losses on trade receivables, concession financial assets, contract assets and financial assets included in prepayments, other receivables and other assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets which are not derived from construction service under service concession arrangements. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The Group assessed the credit exposures of financial assets included in prepayments, other receivables and other assets, and there has not been a significant increase in credit risk since initial recognition and the Group performed expected credit loss assessment for credit losses that result from default events that are possible within the next 12 months.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's concession financial assets, contract assets and other receivables is disclosed in note 20, 21, 22 and 24 to the financial statements, respectively.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year ended 31 December 2023, impairment of property, plant and equipment was provided for with an amount of approximately RMB6,834,000 (2022: RMB98,175,000), impairment of other intangible assets in relation to service concession arrangements was provided for with an amount of approximately RMB197,800,000 (2022: RMB97,100,000) and impairment of right-of-use assets was provided for with an amount of approximately RMB3,638,000 (2022: nil). Further details are given in notes 14, 15 and 17, respectively.

Progress towards complete satisfaction of a performance obligation

The Group recognises revenue according to the measuring construction service progress for individual contracts of construction work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contract costs are more than expected, a loss may arise.

Deferred income tax

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at 31 December 2023 was approximately RMB46,443,000 (2022: RMB56,833,000).

4. OPERATING SEGMENT INFORMATION

With the New Zealand business being disposed of by the Group in 2022, the Group has only one reporting segment, which is the waste treatment and waste-to-energy business in the PRC.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the proceeds, net of value-added tax and surcharges during the year.

An analysis of the Group's revenue, other income and gains for the year is as follows:

Revenue

	2023 *RMB'000*	2022 *RMB'000*
Revenue from contracts with customers	**3,559,460**	4,071,620
Effective interest income on concession financial assets	**517,136**	517,335
Total	**4,076,596**	4,588,955

(i) Disaggregated revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers:

	2023 *RMB'000*	2022 *RMB'000*
Types of goods or services		
Construction services under service concession arrangements	**535,159**	1,367,213
Operation services under service concession arrangements	**1,925,332**	1,586,308
Electronic appliance dismantling	**233,700**	393,877
Operation services not under service concession arrangements	**152,517**	137,161
Others	**712,752**	587,061
Total	**3,559,460**	4,071,620
Timing of revenue recognition		
Goods transferred at a point in time	**331,513**	449,399
Services transferred over time	**3,227,947**	3,622,221
Total	**3,559,460**	4,071,620

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB30,027,000 (2022: RMB102,395,000).

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue *(Continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction services under service concession arrangements

The performance obligation is satisfied over time as services are rendered and payment is generally along with the operating service rendered in the operating period according to the service concession arrangements.

Operation services under service concession arrangements

The performance obligation is satisfied when services are rendered and payment is generally due upon the completion of the operation services according to the service concession arrangements.

Construction services not under service concession arrangements

The performance obligation is satisfied over time as services are rendered and payment is generally settled after the construction services rendered by the completion acceptance according to the environmental remediation project contracts.

Operation services not under service concession arrangements

Revenue from operation services not under service concession arrangements is mainly derived from technical services and cleaning services. Technical services are satisfied once the promised service is rendered to a customer. Payment will be received according to the terms of agreements. Cleaning services is satisfied when services are rendered, and payment is generally due upon the completion of the cleaning services according to the service contracts.

Electronic appliance dismantling

Revenue from electronic appliance dismantling is derived from two performance obligations: the sale of dismantled parts which is satisfied upon delivery and payment in advance is normally required; and the rendering of dismantling services to the PRC government which is satisfied over time as the services are rendered and payment is generally due around 4 years from the completion of dismantling. The Group has considered the effect of the significant financing component on the transaction price.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,463,455**	1,572,713
After one year	**24,551,656**	27,907,142
Total	**26,015,111**	29,479,855

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

Revenue *(Continued)*

(ii) Performance obligations *(Continued)*

Electronic appliance dismantling (Continued)

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue within one year mainly relate to construction services and operation services under service concession arrangements. All the other amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year mainly relate to operation services to be satisfied during the operation period according to service concession arrangements. The amounts disclosed above do not include variable consideration which is constrained.

Other income and gains

	2023 *RMB'000*	2022 *RMB'000*
Bank interest income	**11,485**	24,927
Other interest income	**6,898**	106,479
Gain on fair value change of derivatives financial instruments	**–**	118,796
Government grants*	**51,446**	37,247
Gain on termination of service concession arrangements	**–**	17,562
Gain on termination of a lease contract	**2,838**	–
Gain on de-registration of a subsidiary	**–**	3,265
Foreign exchange gains	**7,861**	–
Others	**3,967**	1,426
Total other income and gains	**84,495**	309,702

* Government grants of RMB51,446,000 (2022: RMB37,247,000) were mainly granted during the year to subsidise certain integrated biomass utilisation and hazardous and solid waste treatment projects of the Group and PRC value-added tax refunds. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of services rendered for service concession arrangements		**1,785,197**	2,492,830
Cost of other services provided		**626,026**	310,310
Cost of inventories sold		**278,604**	398,212
Depreciation*			
– Property, plant and equipment	14	**62,797**	49,198
– Right-of-use assets	15	**11,859**	14,807
Amortisation of other intangible assets*	17	**219,866**	155,384
Research and development costs		**42,740**	79,137
Lease payments not included in the measurement of lease liabilities*		**6,421**	6,786
Auditor's remuneration			
– Audit services		**3,804**	4,108
– Non-audit services		**1,451**	1,288
Employee benefit expense (excluding directors' emoluments (note 8))			
– Wages and salaries		**128,766**	156,127
– Pension scheme contributions^		**41,166**	47,704
Foreign exchange differences, net		**(7,861)**	222,895
Impairment of financial and contract assets, net:			
Impairment of trade receivables	24	**36,585**	26,280
Impairment of financial assets included in prepayments, other receivables and other assets		**2,891**	893
Impairment of concession financial assets and relevant contract assets		**73,470**	37,162
Write-down of assets classified as held for sale to fair value#		**–**	7,960
Impairment of property, plant and equipment#	14	**6,834**	98,175
Impairment of inventories		**795**	187
Impairment of goodwill#	16	**–**	30,617
Impairment of other intangible assets#	17	**197,800**	97,100
Impairment of right-of-use assets#	15	**3,638**	–
Gain on fair value change of derivative financial instruments		**–**	(118,796)
Gain on termination of a service concession arrangement		**–**	(17,562)
Gain on termination of a lease contract		**(2,838)**	–
Loss on disposal of items of property, plant and equipment		**22**	133
Gain on de-registration of subsidiaries		**–**	(3,265)

* These items for the year are included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss.

These items for the year are included in "Other expenses" in the consolidated statement of profit or loss.

^ There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

	Notes	2023 RMB'000	2022 RMB'000
Interest on bank and other borrowings		**425,940**	536,964
Interest on corporate bonds	30	**15,119**	37,022
Interest on lease liabilities	15	**937**	1,904
Total interest		**441,996**	575,890
Less: Interest capitalised		**8,292**	43,182
Subtotal		**433,704**	532,708
Others		**7,215**	11,962
Total		**440,919**	544,670

8. DIRECTORS' EMOLUMENTS

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**1,130**	855
Other emoluments:		
Salaries, allowances and benefits in kind	**1,332**	690
	2,462	1,545

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or as compensation for loss of office (2022: nil).

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2023 RMB'000	2022 RMB'000
Mr. Cao Fu Guo	**191**	–
Mr. Pao Ping Wing	**313**	285
Mr. Cheng Kai Tai, Allen	**313**	285
Ms. Chen Yee Wah	**313**	285
	1,130	855

8. DIRECTORS' EMOLUMENTS *(Continued)*

(b) Executive directors, non-executive directors and the chief executive

2023	**Fees** *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Performance related bonuses** *RMB'000*	**Equity-settled share option expense** *RMB'000*	**Pension Scheme contributions** *RMB'000*	**Total remuneration** *RMB'000*
Mr. Cao Guoxian	–	–	–	–	–	–
Mr. Li Fujing	–	–	–	–	–	–
Ms. Hao Chunmei	–	–	–	–	–	–
Mr. Li Qingsong	–	1,332	–	–	–	1,332
	–	1,332	–	–	–	1,332

2022	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Performance Related bonuses *RMB'000*	Equity-settled share option expense *RMB'000*	Pension Scheme contributions *RMB'000*	Total remuneration *RMB'000*
Mr. Cao Guoxian	–	–	–	–	–	–
Mr. Li Fujing	–	–	–	–	–	–
Ms. Hao Chunmei	–	–	–	–	–	–
Mr. Li Qingsong	–	690	–	–	–	690
	–	690	–	–	–	690

Except Mr. Li Qingsong, other directors' fees (2022: 3 directors' fees) and other emoluments are absorbed by Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Beijing Capital Eco"), an intermediate holding company of the Company during the year ended 31 December 2023.

9. FIVE HIGHEST PAID EMPLOYEES

In both years, none of the five highest paid employees were directors of the Company. Details of the emoluments for the year of the five (2022: five) highest paid employees are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Salaries, allowances and benefits in kind	**3,221**	9,648
Performance related bonuses	**2,485**	3,136
Pension scheme contributions	**127**	234
Total	**5,833**	13,018

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director highest paid employees whose emoluments fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$1,000,001 to HK$1,500,000	**4**	–
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**–**	1
HK$2,500,001 to HK$3,000,000	**–**	3
HK$7,000,001 to HK$7,500,000	**–**	1
Total	**5**	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Forty-two (2022: Forty-five) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Sixteen (2022: Twenty) were exempted from PRC income taxes, whereas another Twenty-four (2022: Twenty-two) were entitled to a preferential tax of 12.5%, and another two (2022: three) were entitled to different preferential tax rates of 2.5% or 15%, respectively, for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB3,382,228,000 (2022: RMB4,337,954,000).

	2023 ***RMB'000***	2022 *RMB'000*
Current – Hong Kong		
Charge for the year	**–**	18,659
Current – the PRC		
Charge/(Credit) for the year	**21,017**	(5,008)
Deferred (note 31)	**16,518**	30,024
Total tax charge for the year from continuing operations	**37,535**	43,675
Total tax charge for the year from a discontinued operation	**–**	16,700
Total	**37,535**	60,375

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Hong Kong *RMB'000*	*%*	Chinese Mainland *RMB'000*	*%*	Total *RMB'000*	*%*
2023						
Profit/(loss) before tax from continuing operations	(13,308)		309,232		295,924	
Tax at the statutory tax rate	(2,196)	16.5	77,308	25.0	75,112	25.4
Tax holiday or lower tax rates enacted by local authorities	–	–	(100,666)	(32.6)	(100,666)	(34.0)
Expenses not deductible for tax	–	–	(823)	(0.3)	(823)	(0.3)
Utilisation of tax losses not recognised in prior years	–	–	(889)	(0.3)	(889)	(0.3)
Profit attributable to associates*	–	–	903	0.3	903	0.3
Tax losses not recognised	2,196	(16.5)	68,500	22.2	70,696	23.9
Adjustments in respect of current tax of previous periods	–	–	(6,798)	(2.2)	(6,798)	(2.3)
Tax charge at the Group's effective rate	–	–	37,535	12.1	37,535	12.7
Tax charge from continuing operations at the effective rate	–	–	37,535	12.1	37,535	12.7

10. INCOME TAX *(Continued)*

	Hong Kong *RMB'000*	*%*	Chinese Mainland *RMB'000*	*%*	New Zealand *RMB'000*	*%*	Total *RMB'000*	*%*
2022								
Profit/(loss) before tax from continuing operations	(227,192)		382,780		–		155,588	
Profit before tax from a discontinued operation	2,603,395		–		354,735		2,958,130	
	2,376,203		382,780		354,735		3,113,718	
Tax at the statutory tax rate	392,073	16.5	95,695	25.0	99,326	28.0	587,094	18.9
Tax holiday or lower tax rates	–	–	(89,693)	(23.4)	–	–	(89,693)	(2.9)
Effect of withholding tax at 10% on the gain on disposal of the Group's PRC subsidiaries	5,716	0.2	–	–	–	–	5,716	0.2
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	12,943	0.5	–	–	–	–	12,943	0.4
Expenses not deductible for tax	14,048	0.6	10,401	2.7	–	–	24,449	(1.5)
Income not subject to tax	(439,329)	(18.5)	(24)	–	(70,627)	(19.9)	(509,980)	(14.1)
Utilisation of tax losses not recognised in prior years	–	–	(8,343)	(2.2)	–	–	(8,343)	–
Profit attributable to joint ventures and associates*	–	–	(1,545)	(0.4)	(11,999)	(3.4)	(13,544)	–
Tax losses not recognised	33,208	1.4	85,966	22.5	–	–	119,174	3.8
Adjustments in respect of current tax of previous periods	–	–	(67,441)	(17.6)	–	–	(67,441)	(2.2)
Tax charge at the Group's effective rate	18,659	0.8	25,016	6.5	16,700	4.7	60,375	1.9
Tax charge from continuing operations at the effective rate	18,659	0.8	25,016	6.5	–	–	43,675	1.4
Tax charge from a discontinued operation at the effective rate	–	–	–	–	16,700	4.7	16,700	0.5

* The share of tax attributable to associates amounting to RMB1,205,000 is included in "Share of profits of associates" in the consolidated statement of profit or loss for the year ended 2023. And the share of tax attributable to joint ventures and associates amounting to RMB18,726,000 is included in "Share of profits of associates" in the consolidated statement of profit or loss for the year ended 2022 and "Share of profits of joint ventures" in the note 11.

The 2022 share of tax attributable to joint ventures and associates amounting to RMB16,665,000 and RMB2,061,000, respectively, were included in "Share of profits of joint ventures" included in the note 11 Discontinued operation and "Share of profits of associates" in the consolidated statement of profit or loss for the year ended 31 December 2022.

11. DISCONTINUED OPERATION

On 31 March 2022, BCG NZ Investment Holding Limited ("BCG NZ"), a non-wholly owned subsidiary of the Company, entered into an agreement and conditionally agreed to sell its entire interest in Beijing Capital Group NZ Investment Holding Limited ("NZSPV"), which, together with its subsidiaries, operated the waste treatment and waste-to-energy business in New Zealand. The transaction was completed on 30 September 2022. NZSPV and its subsidiaries (the "Disposal Group") was classified as a discontinued operation in the 2022 consolidated financial statements.

The results of the Disposal Group for the nine months ended 30 September 2022 are presented below:

	2022 *RMB'000*
Revenue	1,835,780
Cost of sales	(1,181,249)
Other income and gains	8,600
Administrative expenses	(235,365)
Other expenses*	(77,363)
Finance costs	(106,075)
Share of profits of joint ventures	42,853
Profit before tax from the discontinued operation	287,181
Income tax (note 10)	(16,700)
Profit after tax from the discontinued operation	270,481
Gain on disposal of the discontinued operation	2,670,949
Profit for the year from the discontinued operation	2,941,430

* The Group incurred transaction costs of RMB67,554,000 for this disposal, which had been included in other expenses.

11. DISCONTINUED OPERATION *(Continued)*

The major classes of assets and liabilities of BCG NZ classified as Disposal Group as at 30 September 2022 are as follows:

	Notes	30 September 2022 *RMB'000*
Assets		
Property, plant and equipment	14	1,801,671
Right-of-use assets	15	1,196,776
Goodwill	16	1,803,279
Other intangible assets	17	1,089,017
Investments in joint ventures		357,997
Trade receivables		241,942
Prepayments, other receivables and other assets		81,925
Inventories		26,762
Tax recoverable		13,067
Cash and cash equivalents		90,267
Others		8,930
Liabilities		
Trade payables		(74,958)
Other payables and accruals		(3,380,663)
Lease liabilities	15	(1,273,070)
Tax payable		–
Deferred tax liabilities	31	(262,719)
Provisions		(166,560)
Derivative financial instruments		(154)
Net assets directly associated with the discontinued operation		1,553,509
Reclassification adjustments for a foreign operation disposed of during the year		379,709
Other exchange fluctuation reserve		3,587
Gain on disposal of the discontinued operation		2,670,949
Satisfied by:		
Cash		4,560,059
Cash consideration recorded in other receivables		47,695

11. DISCONTINUED OPERATION *(Continued)*

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of the discontinued operation is as follows:

	2022 *RMB'000*
Cash consideration	4,560,059
Cash and cash equivalents disposed of	(90,267)
Net inflow of cash and cash equivalents in respect of the disposal of the discontinued operation	4,469,792

The net cash flows incurred by the Disposal Group for the nine months ended 30 September 2022 and for the year ended 31 December 2022 are as follows:

	2022 *RMB'000*
Operating activities	401,346
Investing activities	(152,892)
Financing activities	(277,724)
Effect of foreign exchange rate changes	(2,803)
Net cash outflow	(32,073)

12. DIVIDENDS

	2023 ***RMB'000***	2022 *RMB'000*
Final declared – HK1 cent	**130,694**	–

On 28 June 2023, the special dividend of HK1 cent per share for the year ended 31 December 2022 was approved in the annual general meeting of the Company (2022: nil). The dividends were paid on 28 July 2023.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2022: 14,294,733,167) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**285,380**	128,533
From a discontinued operation	**–**	1,500,129
	285,380	1,628,662

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2023						
At 31 December 2022 and at 1 January 2023						
Cost	346,312	386,426	62,320	14,744	36,107	845,909
Accumulated depreciation	(20,843)	(106,225)	(33,697)	(12,581)	–	(173,346)
Accumulated impairment	–	(88,700)	–	–	(36,107)	(124,807)
Net carrying amount	325,469	191,501	28,623	2,163	–	547,756
At 1 January 2023, net of accumulated depreciation	325,469	191,501	28,623	2,163	–	547,756
Additions	–	27,618	19,061	–	2,283	48,962
Disposals	–	(2,075)	(11)	–	–	(2,086)
Depreciation provided during the year	(4,672)	(47,736)	(9,240)	(1,149)	–	(62,797)
Impairment	–	(6,818)	(16)	–	–	(6,834)
Transfers	–	172	–	1,389	(1,561)	–
At 31 December 2023, net of accumulated depreciation	320,797	162,662	38,417	2,403	722	525,001
At 31 December 2023						
Cost	346,312	412,130	81,164	15,790	36,829	892,225
Accumulated depreciation	(25,515)	(153,950)	(42,731)	(13,387)	–	(235,583)
Accumulated impairment	–	(95,518)	(16)	–	(36,107)	(131,641)
Net carrying amount	320,797	162,662	38,417	2,403	722	525,001

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Freehold land *RMB'000*	Landfill development *RMB'000*	Buildings *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022								
At 31 December 2021 and at 1 January 2022								
Cost	159,459	563,130	399,647	1,383,925	773,414	114,206	410,538	3,804,319
Accumulated depreciation	–	(285,271)	(64,890)	(606,106)	(344,238)	(37,689)	–	(1,338,194)
Accumulated impairment	–	–	–	–	–	–	(26,632)	(26,632)
Net carrying amount	159,459	277,859	334,757	777,819	429,176	76,517	383,906	2,439,493
At 1 January 2022, net of accumulated depreciation	159,459	277,859	334,757	777,819	429,176	76,517	383,906	2,439,493
Additions	–	(34,840)	25,395	30,790	8,513	568	223,373	253,799
Disposals	–	–	–	(16,638)	(1,014)	–	(15,888)	(33,540)
Reclassification to assets held for sale	(153,972)	(246,554)	(33,585)	(500,576)	(421,363)	(68,722)	(376,899)	(1,801,671)
Depreciation provided during the year	(5)	(13,035)	(4,346)	(63,649)	(27,687)	(2,513)	–	(111,235)
Impairment	–	–	–	(88,700)	–	–	(9,475)	(98,175)
Transfers	3,175	30,706	5,144	80,341	64,258	206	(184,124)	(294)
Exchange realignment	(8,657)	(14,136)	(1,896)	(27,886)	(23,260)	(3,893)	(20,893)	(100,621)
At 31 December 2022, net of accumulated depreciation	–	–	325,469	191,501	28,623	2,163	–	547,756
At 31 December 2022:								
Cost	–	–	346,312	386,426	62,320	14,744	36,107	845,909
Accumulated depreciation	–	–	(20,843)	(106,225)	(33,697)	(12,581)	–	(173,346)
Accumulated impairment	–	–	–	(88,700)	–	–	(36,107)	(124,807)
Net carrying amount	–	–	325,469	191,501	28,623	2,163	–	547,756

The Group has pledged buildings with a net book value of RMB3,988,000 (2022: RMB16,425,000) to secure the borrowings granted to the Group as at 31 December 2023.

The impairment of RMB6,834,000 during this year was in relation to the shutdown of Anhui Capital Environmental Technology Co., Ltd.(安徽首創環境科技有限公司, "Anhui Capital"), which was engaged in dismantling. The impairment of RMB98,175,000 during the year ended 2022 was in relation to Yangzhou Capital Environmental Energy Investment Limited(揚州首創環保能源有限公司)and Zibo Capital Solid Environment Technology Limited(淄博首拓環境科技有限公司)and the shutdown of Luoyang Capital Solid Environment Services Co., Ltd.(洛陽首拓環境服務有限公司)and Wuzhong Capital Solid Environment Technology Co., Ltd.(吳忠市首拓環境科技有限公司), which were all engaged in hazardous waste treatment.

The impaired assets of Anhui Capital are machinery, equipment and motor vehicles. Their recoverable amount of these assets were determined to be zero based on their fair value less costs of disposal resulting from the adverse effect of Announcement on Matters Relating to the Suspension of the Fund for the Treatment of Waste Electrical and Electronic Products(《關於停徵廢棄電器電子產品處理基金有關事項的公告》)([2023] No. 74)jointly issued by the Ministry of Finance, the Ministry of Ecology and Environment, the National Development and Reform Commission and the Ministry of Industry and Information Technology in the PRC.

15. LEASES

The Group as a lessee

The Group has lease contracts mainly for buildings. Leases of buildings have lease terms with 2 years as at 31 December 2023 (2022: between 1 and 3 years). Other equipment generally has lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movement during the period are as follow:

	Leasehold land* *RMB'000*	Plant and machinery *RMB'000*	Plant, machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2022	70,804	1,226,860	378	12,689	1,310,731
Additions	–	64,635	–	2,427	67,062
Depreciation charge	(1,791)	(23,555)	(46)	(1,550)	(26,942)
Reassessment of a lease term arising from a decision to modify the exercise the extension option	–	1,561	–	–	1,561
Reclassification to assets held for sale	–	(1,183,612)	(313)	(12,851)	(1,196,776)
Exchange realignment	–	(66,547)	(19)	(715)	(67,281)
As at 31 December 2022 and 1 January 2023	**69,013**	**19,342**	**–**	**–**	**88,355**
Additions	**–**	**20,973**	**–**	**–**	**20,973**
Depreciation charge	**(1,791)**	**(10,068)**	**–**	**–**	**(11,859)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**(19,342)**	**–**	**–**	**(19,342)**
Impairment loss recognised on right-of-use asset	**(3,638)**	**–**	**–**	**–**	**(3,638)**
As at 31 December 2023	**63,584**	**10,905**	**–**	**–**	**74,489**

* The amounts represent land use rights located in the PRC and are depreciated to profit or loss over the term of the relevant rights of 40 or 50 years. The Group has pledged leasehold land with a net book value of RMB35,942,000 (2022: RMB41,114,000) to secure the borrowings granted to the Group. Impairment of RMB3,638,000 was provided for the land use right held by Mianyang Lubo Lubricant Co., Ltd (綿陽路博潤滑油有限公司) during the year, for which the recoverable amount is zero.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Carrying amount at 1 January	**33,625**	1,319,706
New leases	**20,973**	67,062
Accretion of interest recognised during the year*	**937**	45,561
Payments	**(11,445)**	(55,615)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(22,179)**	1,561
Reclassification to liabilities directly associated with held for sale	**–**	(1,273,070)
Exchange realignment	**–**	(71,580)
Carrying amount at 31 December	**21,911**	33,625
Current portion	**21,911**	33,625
Non-current portion	**–**	–

The maturity analysis of lease liabilities is disclosed in note 41 to the consolidated financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Interest on lease liabilities	**937**	45,561
Depreciation charge of right-of-use assets	**11,859**	26,942
Expense relating to short-term leases	**6,032**	16,389
Expense relating to leases of low-value assets	**389**	5,154
Variable lease payments not included in the measurement of lease liabilities	**–**	1,089
Total amount recognised in profit or loss	**19,217**	95,135

(d) The total cash outflow for leases is disclosed in note 34(c) to the financial statements.

16. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	2,855,123
Accumulated impairment	(913,330)
Net carrying amount	1,941,793
Cost at 1 January 2022, net of accumulated impairment	1,941,793
Reclassification to assets held for sale	(1,803,279)
Impairment during the year	(30,617)
Exchange realignment	(101,842)
Cost and net carrying amount at 31 December 2022	6,055
At 31 December 2022:	
Cost	**43,438**
Accumulated impairment	**(37,383)**
Net carrying amount	**6,055**
Cost at 1 January 2023, net of accumulated impairment	**6,055**
Cost and net carrying amount at 31 December 2023	**6,055**
At 31 December 2023:	
Cost	**43,438**
Accumulated impairment	**(37,383)**
Net carrying amount	**6,055**

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司, "Zhejiang Zhuoshang"), which principally engages in the recycling and waste treatment business in Chinese Mainland;

16. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Zhejiang Zhuoshang

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering the service concession period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 10.6% (2022: 13.5%).

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

	2023 **RMB'000**	2022 RMB'000
Zhejiang Zhuoshang	**6,055**	6,055
	6,055	6,055

Assumptions were used in the value-in-use calculation of the cash-generating unit with allocated goodwill of Zhejiang Zhuoshang for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Future revenue growth rates – In respect of the revenue of Zhejiang Zhuoshang, the future revenue growth rates are based on the projected volume and unit price of waste treatment services as stipulated in the service concession arrangement.

Operating margins – The basis used to determine the value of the operating margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on future revenue growth rates, operating margins, discount rates and perpetual growth rates are consistent with external information sources.

17. OTHER INTANGIBLE ASSETS

	Customer contracts RMB'000	Service concession arrangements RMB'000	Licenses and franchises RMB'000	Trade names and trademarks RMB'000	Software RMB'000	Total RMB'000
31 December 2023						
Cost at 1 January 2023, net of accumulated amortisation	**–**	**3,987,149**	**–**	**–**	**3,324**	**3,990,473**
Additions	**–**	**57,496**	**–**	**–**	**489**	**57,985**
Transfer from contract assets	**–**	**1,172,602**	**–**	**–**	**–**	**1,172,602**
Amortisation provided during the year	**–**	**(219,071)**	**–**	**–**	**(795)**	**(219,866)**
Impairment during the year	**–**	**(197,800)**	**–**	**–**	**–**	**(197,800)**
At 31 December 2023	**–**	**4,800,376**	**–**	**–**	**3,018**	**4,803,394**
At 31 December 2023						
Cost	**–**	**5,783,561**	**–**	**–**	**5,966**	**5,789,527**
Accumulated amortisation and impairment	**–**	**(983,185)**	**–**	**–**	**(2,948)**	**(986,133)**
Net carrying amount	**–**	**4,800,376**	**–**	**–**	**3,018**	**4,803,394**
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation	68,923	3,757,383	345,315	675,142	77,362	4,924,125
Additions	–	166,159	–	–	49	166,208
Transfer from contract assets	–	315,344	–	–	–	315,344
Transfer from construction in progress	–	–	–	–	294	294
Reclassification to assets held for sale (note 25)	(62,774)	–	(320,076)	(639,051)	(67,116)	(1,089,017)
Amortisation provided during the year*	(2,572)	(154,637)	(7,076)	–	(3,445)	(167,730)
Impairment during the year	–	(97,100)	–	–	–	(97,100)
Exchange realignment	(3,577)	–	(18,163)	(36,091)	(3,820)	(61,651)
At 31 December 2022	–	3,987,149	–	–	3,324	3,990,473
At 31 December 2022						
Cost	–	4,553,463	16,024	–	5,477	4,574,964
Accumulated amortisation and impairment	–	(566,314)	(16,024)	–	(2,153)	(584,491)
Net carrying amount	–	3,987,149	–	–	3,324	3,990,473

17. OTHER INTANGIBLE ASSETS *(Continued)*

As at 31 December 2023, the major terms of the Group's significant intangible assets in relation to service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2023 *RMB'000*	Balance as at 31 December 2022 *RMB'000*
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	609,934	–
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)*	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	384,009	395,239
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	Qixian Biomass straw incineration for power generation Project (杞縣生物質秸稈焚燒發電項目)	Qixian, Kaifeng, Henan	Qixian City Administration (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	255,368	263,301
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	Lushan Biomass cogeneration Project (魯山縣生物質熱電聯產項目)	Lushan, Pingdingshan, Henan	Lushan Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	252,254	262,919
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	Nanle County Domestic Waste Incineration Power Generation Project (南樂縣生活垃圾焚燒發電項目)	Nanle, Puyang City	Nanle County Housing and Urban-Rural Development Bureau (南樂縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	248,408	–
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)	Tanghe Solid Waste Incineration Power Generation Plant (唐河生活垃圾焚燒發電處理項目)	Tanghe, Nanyang, Henan	Tanghe Urban Management Bureau (唐河縣城市管理局)	30 years after obtaining the approval for construction	800 tonnes	236,975	243,870
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	Xiaoshan Kitchen Waste Treatment Plant (蕭山廚餘垃圾處理廠)	Hangzhou, Zhejiang	Xiaoshan District's Administration of Hangzhou City (杭州市蕭山區城區管理局)	30 years after obtaining the approval for operation	400 tonnes	233,774	242,014
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)*	Shenzhou Solid Waste Incineration Power Generation Plant PPP Project (深州市生活垃圾焚燒發電工程PPP項目)	Shenzhou, Hebei	Shenzhou Housing and Urban-Rural Construction Commission (深州市住房和城鄉建設局)	30 years after obtaining the approval for commercial operation	800 tonnes	187,420	194,322
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	Suichuan Solid Waste Incineration Power Generation Plant (遂川縣生活垃圾焚燒發電處理項目)	SuiChuan, Jian, Jiangxi	Suichuan Urban Management and Comprehensive Law Enforcement (遂川縣城市管理綜合執法局)	27 years after obtaining the approval for construction	600 tonnes	179,995	236,461
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠-二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	173,696	59,660
Fuzhou Capital Haihuan Environment Technology Company Limited (福州首創海環環保科技有限公司)*	Fuzhou Hongmiaoling Kitchen Waste Treatment Plant (福州市紅廟嶺廚餘垃圾處理廠)	Fuzhou, Fujian	Fuzhou City Administration (福州市城市管理委員會)	30 years after obtaining the approval for commercial operation	400 tonnes	162,256	206,134
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	168,781	–
Others						1,707,506	1,883,229
						4,800,376	3,987,149

* These subsidiaries, as operators, were paid for their construction services partly by financial assets and partly by intangible assets. Other subsidiaries listed above were paid for their services by intangible assets.

17. OTHER INTANGIBLE ASSETS *(Continued)*

The intangible assets arising from the service concession arrangements are amortised over the period which commences from the date when the related infrastructures are available for use to the end of the service concession period, using a straight-line method.

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 20.

Impairment testing of intangible assets in relation to service concession arrangements

The recoverable amount of intangible assets in relation to service concession arrangements of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering its concession periods. The cash-generating units impaired during the year were in relation to Yongji Huaxinda Clean Energy Co., Ltd.(永濟市華信達清潔能源有限公司, "Yongji Huaxinda"), Suichuan Capital Environmental Energy Co., Ltd.(遂川首創環保能源有限公司), and Fuzhou Capital Haihuan Environment Technology Company Limited(福州首創海環環保科技有限公司, "Fuzhou Capital"). The total recoverable amounts were RMB471,644,000 at 31 December 2023. The pre-tax discount rates applied to the cash flow projections range from 8.6% to 12.09%.

Assumptions were used in the value-in-use calculation of the cash-generating units. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible assets in relation to service concession arrangements:

Revenue – The bases used to determine the future earnings are historical sales and expected growth rates of the applicable market in relevant area agreed in the service concession arrangement.

Operating margins – Operating margins are based on the average gross margins achieved in past few years immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Operating expenses – The bases used to determine the values assigned to operating expenses are the cost of raw materials or service consumption, staff costs, amortisation and other operating expenses. The value assigned to the key assumption reflects past experience and management's expected input to support the expected services provided in the future.

Discount rates – Discount rates reflect management's estimate of specific risks relating to the relevant units.

With regard to the assessment of values in use of related intangible assets of the respective cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amounts of the intangible assets of the relevant units to materially exceed their recoverable amounts.

18. INVESTMENTS IN ASSOCIATES

	2023	2022
	RMB'000	*RMB'000*
Share of net assets	**41,388**	42,164

18. INVESTMENTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Beijing Lanjie Lide Environment Holding Limited (北京藍潔利德環境科技有限公司, "Beijing Lanjie")	RMB1,760,000	PRC/Chinese Mainland	29%	Provision of waste transportation services
Hebei Xiongan Pioneer Environmental Governance Limited (河北雄安首創環境治理有限公司, "Xiongan Pioneer")	RMB72,390,000	PRC/Chinese Mainland	49%	Eco-protection and environmental governance

The Group reached a liquidation resolution with other shareholders of Beijing Lanjie in the previous year, and the liquidation process was in progress during this year. It is expected that the liquidation of Beijing Lanjie will be completed in 2024.

19. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The investment was in relation to an equity investment in an unlisted company, Beijing Yiqing Biomax Green Energy Park Company Limited (北京市一清百瑪士綠色能源有限公司, "Beijing Yiqing"). The fair value of the asset was RMB200,000 (2022: RMB7,001,000).

20. CONCESSION FINANCIAL ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Concession Financial Assets	**9,541,196**	8,659,064
Impairment	**(112,284)**	(43,857)
	9,428,912	8,615,207
Analysed for reporting purposes as:		
Current assets	**1,631,688**	1,432,800
Non-current assets	**7,797,224**	7,182,407
	9,428,912	8,615,207

20. CONCESSION FINANCIAL ASSETS *(Continued)*

Concession financial assets mainly represent the amounts of the costs incurred by the Group for the construction rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC, plus the attributable profits on the services provided, to the extent of the unconditional contractual right to receive cash or another financial asset from the Grantor for the construction services which have been completed.

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.50% for both the year ended 31 December 2023 and the year ended 31 December 2022.

Service concession arrangements with the Grantor in the PRC require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The payment of concession financial assets is generally along with the operating service rendered in the operating period.

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the Grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2023, the probability of default applied ranging from 0.08% to 1.89% (2022: 0.06% to 1.19%) and the loss given default was estimated to be 45% (2022: 45%), which led to an impairment of RMB68,427,000 (2022: RMB38,111,000) recognised during the year.

During the operation phase of the respective service concession periods, the Group will receive guaranteed waste treatment fees from the Grantor. In addition, for some service concession arrangements, the Group will receive fees arising from the electricity generated from waste treatment based on the guaranteed volumes after the commencement of the operation phase of the waste-to-energy plants. Concession financial assets are expected to be recovered along with and on condition of rendering operation services in the operating periods.

The Group recognised revenue from construction services of RMB535,159,000 (2022: RMB1,367,213,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB1,925,332,000 (2022: RMB1,586,308,000) for all the service concession arrangements of the Group (note 5). The gross profits recognised from construction services amounted to RMB159,926,000 (2022: RMB350,477,000) and the gross profits recognised from operation services amounted to RMB464,365,000 (2022: RMB393,453,000) for all the service concession arrangements of the Group.

20. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2023, the major terms of the Group's significant service concession arrangements with guaranteed receipts are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2023 RMB'000	Balance as at 31 December 2022 RMB'000
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	**1,140,711**	1,173,934
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠－二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	**747,782**	869,742
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	**585,142**	-
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Zhechuan, Xixia and Neixiang (淅川，西峽，內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	1,000 tonnes	**492,317**	515,086
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	**489,608**	514,300
Xiangxi Capital Environmental Energy Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	28 years after obtaining the approval for construction	1,000 tonnes	**432,925**	421,518
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	**385,322**	392,990
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	**333,467**	336,657
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	600 tonnes	**317,996**	333,206
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	**310,177**	312,060
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	**303,143**	-
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	Zhengyang Solid Waste Incineration Power Generation Project (正陽縣生活垃圾焚燒發電項目)	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement (正陽縣城市管理綜合執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	**288,647**	294,226
Others*						**3,601,729**	3,451,488
						9,428,966	8,615,207

* Others represent waste collection and transportation projects, incineration projects and kitchen waste concentration projects with insignificant concession financial assets.

21. CONTRACT ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Contract assets arising from:		
Construction services	**855,934**	1,967,457
Electricity generation	**481,184**	244,138
Others	**48,397**	20,430
Impairment	**(5,610)**	(567)
	1,379,905	2,231,458
Analysed into:		
Current assets	**910,285**	405,346
Non-current assets	**469,620**	1,826,112
	1,379,905	2,231,458

The Group entered into service concession arrangements in respect of the waste management and waste-to-energy business in the PRC. According to HKFRS 15, the receivables in relation to the construction services should be accounted for as contract assets.

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the grantor, the amounts recognised as contract assets are presented as concession financial assets or other intangible assets for construction services under service concession arrangements. The expected timing of completion is within one year.

Contract assets arising from electricity generation mainly represent government on-grid tariff subsidies for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. The expected timing of completion of government administrative procedures as at 31 December 2023 was within 3 years.

21. CONTRACT ASSETS *(Continued)*

As at 31 December 2023, the probability of default applied ranging from 0.08% to 1.89% (2022: 0.06% to 1.19%) and the estimated loss given default of 45% (2022: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. An impairment of RMB3,151,000 was recognised during the year (2022: reversal of RMB949,000).

As at 31 December 2023, the expected credit loss rate of 0.91% was applied to determine the impairment of contract assets, which was due from certain local governments in relation to electricity generation. An impairment of RMB1,892,000 was recognised during the year (2022: nil).

As at 31 December 2023, the major terms of the Group's significant service concession arrangements under construction are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2023 *RMB'000*	Balance as at 31 December 2022 *RMB'000*
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PPP project of domestic waste incineration power plant in Pu'er city center (普洱市中心城區生活垃圾焚燒發電廠PPP項目)	Simao, Puerfif	Pu'er Simao District Housing and Urban-Rural Development Bureau (普洱市思茅區住房和城鄉建設局)	30 years after obtaining the approval for construction	400 tonnes	302,484	112,536
Xinjiang Tianfu Waste Incineration Power Generation Co. LTD (新疆天富垃圾焚燒發電有限責任公司)*	Shihezi City waste incineration power generation project (石河子市垃圾焚燒發電項目)*	Shihezi City, Xinjiang	Shihezi housing and urban-rural construction Bureau (石河子市住房和城鄉建設局)	30 years from the date when the technical transformation project is completed and put into operation	600 tonnes	120,967	–
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	–	1,070,775
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	–	351,130
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	Nanle County Domestic Waste Incineration Power Generation Project (南樂縣生活垃圾焚燒發電項目)	Nanle, Puyang City	Nanle County Housing and Urban-Rural Development Bureau (南樂縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	–	329,406
Others						36,209	17,220
						459,660	1,881,067

* On 1 November 2023, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司), an indirectly wholly-owned subsidiary of the Company, completed the process of restructuring of Xinjiang Tianfu Waste Incineration Power Generation Co., Ltd. (新疆天富垃圾焚燒發電有限責任公司, "Xinjiang Tianfu") with a consideration of RMB120,000,000. As the assets acquired from the transaction did not constitute a business, the Group accounted for the transaction as an asset acquisition and identified the service concession arrangement and inventories held by Xinjiang Tianfu as the identifiable assets acquired. The service concession arrangement was related to a waste incineration power generation project under construction and therefore the contract assets of RMB120,967,000 were recognised on the basis of the fair values of the identifiable assets at the date of purchase.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Advances to suppliers		**47,073**	92,766
Value-added tax receivables		**583,475**	580,283
Interest receivable		**5,024**	5,024
Tender deposits		**223,757**	213,642
New Zealand adjusted price	(a)	**–**	47,695
Disposal receivables	(b)	**142,580**	111,069
Others		**120,453**	84,993
Total		**1,122,362**	1,135,472
Analysed into:			
Current assets		**1,015,087**	1,020,784
Non-current assets		**107,275**	114,688
Total		**1,122,362**	1,135,472

Notes:

(a) According to the agreement between the Group and Tui Bidco Limited (the "Buyer") regarding the disposal of the interest of NZSPV in 2022, the final settlement price was adjusted based on the result of the settlement audit of NZSPV. The balance of RMB47,695,000 represented the amount that the Buyer was required to pay as at 31 December 2022, which had been settled during the year.

(b) The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Shangrao Chengtou Energy Group Co., Ltd. (上饒市城投能源環保有限公司), Huludao municipal government (葫蘆島市政府) and Wengan county government (甕安縣政府) amounting to RMB35,567,000, RMB75,502,000 and RMB31,511,000, respectively.

23. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	**71,581**	55,786
Finished goods	**6,035**	9,444
Total	**77,616**	65,230

24. TRADE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**2,169,090**	1,855,352
Impairment	**(89,977)**	(53,392)
Net carrying amount	**2,079,113**	1,801,960
Analysed into:		
Current assets	**2,000,260**	1,694,538
Non-current assets	**78,853**	107,422
	2,079,113	1,801,960

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any loss allowance. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
0 to 90 days	**605,163**	812,904
91 to 180 days	**484,900**	223,526
Over 180 days	**989,050**	765,530
Total	**2,079,113**	1,801,960

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**53,392**	30,157
Impairment losses from continuing operations (note 6)	**36,585**	26,280
Impairment losses from the discontinued operation	**–**	4,183
Amount written off as uncollectible	**–**	(1,195)
Exchange realignment	**–**	(6,015)
Disposal of the discontinued operation	**–**	(18)
At end of year	**89,977**	53,392

24. TRADE RECEIVABLES *(Continued)*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing or days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables except those due from the Ministry of Finance of the PRC are written off if the ageing is more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables except those due from the Ministry of Finance of the PRC using a provision matrix:

		Past due			
As at 31 December 2023	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**1.67%**	**7.29%**	**17.77%**	**27.65%**	**5.07%**
Gross carrying amount (RMB'000)	**1,368,964**	**175,831**	**89,450**	**139,048**	**1,773,293**
Expected credit losses (RMB'000)	**22,829**	**12,811**	**15,891**	**38,446**	**89,977**

		Past due			
As at 31 December 2022	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.95%	4.33%	34.41%	45.44%	3.66%
Gross carrying amount (RMB'000)	1,304,382	96,202	20,194	37,180	1,457,958
Expected credit losses (RMB'000)	25,384	4,166	6,948	16,894	53,392

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Cash and bank balances		**702,288**	1,545,032
Time deposits		**–**	5,000
Subtotal		**702,288**	1,550,032
Less:			
Pledged for a loan	(a)	**(4,702)**	(3,278)
Pledged for service concession arrangements	(b)	**(35,775)**	(33,948)
Cash and cash equivalents		**661,811**	1,512,806

Notes:

(a) The amount is pledged for a loan from China Clean Development Mechanism Fund (中國清潔發展機制基金, "CDM Fund").

(b) Pledged bank deposits for service concession arrangements represent the deposits required by the local governments for securing the progress of the BOT projects.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB570,644,000 (2022: RMB1,077,900,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

26. TRADE PAYABLES

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

	2023 ***RMB'000***	2022 *RMB'000*
0 to 90 days	**853,442**	657,817
91 to 180 days	**57,749**	23,955
Over 180 days	**739,619**	1,104,383
Total	**1,650,810**	1,786,155

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

27. OTHER PAYABLES AND ACCRUALS

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Contract liabilities	(a)	**35,353**	30,027
Guarantee payables		**29,829**	34,777
Interest payables	(b)	**10,476**	33,870
Amounts due to the former/non-controlling shareholders of subsidiaries	(c)	**13,565**	19,605
Loans from non-controlling shareholder of subsidiaries	(d)	**21,395**	17,685
Accrued professional fee		**5,354**	15,297
Other tax payable		**43,953**	137,317
Accrued payroll and severance payment		**39,008**	27,667
Accrued expenses		**2,350**	36,281
Others		**59,784**	59,901
Total		**261,067**	412,427

27. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Contract liabilities mainly include short-term advances received to render the waste treatment service.

(b) The amounts mainly represent the interest payable related to bank and other borrowings.

(c) The amounts represent the unpaid consideration to the former/non-controlling shareholders of subsidiaries in relation to their equity acquisitions. The Group made a payment of RMB6,040,000 to the former shareholder of Yongji Huaxinda during the year.

(d) The amounts represent the balance of loans from the non-controlling shareholders of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司, "Beijing Shoujian"), Shicheng Capital Environment Limited (石城縣首創環保有限公司) and Fuzhou Capital.

28. DEFERRED INCOME

The Group received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants. The waste treatment plants and waste-to-energy plants were either under commercial run or still under construction as at 31 December 2023. These government subsidies were recognised as deferred income and would be amortised over the concession period upon the commencement of commercial operations of the plants.

29. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023			2022		
	Effective Interest rate (%)	**Maturity**	***RMB'000***	Effective Interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**3.70**	**2024**	**–**	3.70	2023	40,000
Bank loans – unsecured	**3.55-3.70**	**2024**	**48,540**	3.90-4.35	2023	69,900
Bank loans – secured	**3.40-4.80**	**2024**	**1,070,496**	3.70-5.15	2023	342,310
Bank loans – unsecured	**1.37-4.70**	**2024**	**49,372**	1.37-4.20	2023	26,085
Other loans – secured	**3.46-5.10**	**2024**	**130,935**	3.46-6.15	2023	754,746
Other loans – unsecured	**3.56**	**2024**	**65,000**	–	–	–
Total – current			**1,364,343**			1,233,041
Non-current						
Other secured bank loans	**3.35-4.65**	**2026-2043**	**5,254,674**	3.70-5.15	2026-2038	5,461,408
Other unsecured bank loans	**1.37-4.70**	**2026-2030**	**614,292**	1.37-4.20	2024-2036	654,044
Other loans – secured	**3.46-5.10**	**2025-2043**	**68,735**	3.46-6.15	2023-2030	272,000
Other loans – unsecured	**1.20-4.38**	**2026**	**3,170,000**	1.20-4.38	2024-2031	1,487,000
Total – non-current			**9,107,701**			7,874,452
Total			**10,472,044**			9,107,493

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

	2023 RMB'000	2022 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,168,408**	478,295
In the second year	**501,331**	477,589
In the third to fifth years, inclusive	**1,656,741**	1,628,661
Beyond five years	**3,710,894**	4,009,202
	7,037,374	6,593,747
Other borrowings repayable:		
Within one year or on demand	**195,935**	754,746
In the second year	**1,538,735**	46,963
In the third to fifth years, inclusive	**1,700,000**	1,613,470
Beyond five years	**–**	98,567
	3,434,670	2,513,746
	10,472,044	9,107,493

Notes:

(a) Bank loans of RMB308,601,000 as at 31 December 2023 (2022: RMB293,640,000) were guaranteed by the corporate guarantee of the Group.

(b) Bank loans of RMB886,531,000 as at 31 December 2023 (2022: RMB677,154,000) were secured by certain service concession arrangements of the Group.

(c) Bank loans of RMB4,882,873,000 as at 31 December 2023 (2022: RMB4,560,517,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.

(d) A bank loan of RMB108,345,000 as at 31 December 2023 (2022: RMB133,346,000) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司, the non-controlling shareholder of Beijing Shoujian).

(e) Bank loans of RMB138,821,000 as at 31 December 2023 (2022: RMB179,061,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB35,942,000 (31 December 2022: RMB57,539,000).

(f) Other loan of RMB69,000,000 from CDM Fund as at 31 December 2023 (2022: RMB69,000,000) was secured by the service concession arrangement in Fuzhou Capital.

(g) Other loan of RMB10,202,000 from Beijing Guozi Financial leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2023 (2022: RMB29,682,000) was secured by the service concession arrangement in Zhejiang Zhuoshang.

(h) Other loan of RMB120,467,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2023 (2022: RMB228,064,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement in Renqiu Capital Environmental Treatment Co., Ltd (任丘首創環境治理有限公司).

29. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes: *(Continued)*

(i) Other loan from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) which was guaranteed by the corporate guarantee of Beijing Capital Group was repaid on 29 March 2023 (2022: RMB700,000,000).

(j) Other loan of RMB3,170,000,000 from Beijing Capital Ecological Environmental Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司, "Beijing Capital Eco", an intermediate holding company of the Company) as at 31 December 2023 (2022: RMB1,370,000,000) was unsecured.

As at 31 December 2023, the Group had undrawn borrowing facilities amounting to RMB2,225,745,000 (31 December 2022: RMB3,236,955,000).

As at 31 December 2023, the Group's bank and other loans of RMB3,313,480,000 were charged at fixed interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

As at 31 December 2023, the Group had bank loans of RMB733,910,000 for which certain loan agreement terms were met to permit the lenders to demand accelerated repayment. The terms of these bank loans have not been renegotiated and no accelerated repayment has been demanded up to the issuance date of the financial statements.

30. CORPORATE BONDS

On 29 May 2020, the Company issued its first branch corporate bonds in an aggregate principal amount of RMB1 billion at par value, which is listed on the Shanghai Stock Exchange. The net proceeds after deducting the transaction costs of RMB3,000,000 and the initially paid guarantee fee of RMB5,000,000 were RMB992,000,000. The bonds bear interest from 29 May 2020 at 3.1% per annum payable annually in arrears on 29 May of each year, and are guaranteed by Beijing Capital Group with a guarantee fee based on 0.5% per annum of the principal amount. The Group's corporate bonds were issued in May 2020 and redeemed at par value in May 2023.

After initial recognition, these corporate bonds are subsequently measured at amortised cost, with terms of 3 years, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate.

The movements of corporate bonds during the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Liabilities at 1 January (note)	**1,015,881**	1,014,859
Interest during the year	**15,119**	37,022
Interest paid during the year	**(31,000)**	(36,000)
	1,000,000	1,015,881
Repayment of the principal amount	**(1,000,000)**	–
	–	1,015,881
Less: Interest to be paid within one year	**–**	(18,345)
Liabilities as at 31 December	**–**	997,536

Note: The balance as at 31 December 2022 included the corporate bonds of RMB997,536,000 and interest of RMB18,345,000 which were settled in 2023.

31. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

	Property, plant and equipment	Inventories	Other intangible assets	Service concession arrangements*	Provisions	Right-of-use assets	Lease liabilities	Others**	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	(110,045)	360	(317,380)	(568,940)	75,254	(348,436)	372,294	38,892	(858,001)
(Charged)/credited to profit or loss***	917	(91)	8,136	(63,723)	–	(2,901)	11,510	30,185	(15,967)
Credited to other comprehensive income	–	–	–	–	–	–	–	79	79
Disposal of a subsidiary	–	–	–	–	–	–	–	1,141	1,141
Reclassification to liabilities directly associated with held for sale	103,284	–	280,827	–	(71,232)	329,810	(358,589)	(21,381)	262,719
Exchange realignment	5,844	–	15,960	–	(4,022)	18,626	(20,171)	(1,224)	15,013
At 31 December 2022 and at 1 January 2023	–	269	(12,457)	(632,663)	–	(2,901)	5,044	47,692	(595,016)
(Charged)/credited to profit or loss**	**–**	**(163)**	**1,146**	**(16,499)**	**–**	**260**	**(2,509)**	**1,247**	**(16,518)**
At 31 December 2023	**–**	**106**	**(11,311)**	**(649,162)**	**–**	**(2,641)**	**2,535**	**48,939**	**(611,534)**

* The deferred tax liabilities arising from "Service concession arrangements" were recognised in the taxable temporary difference between the revenue recognised under HK(IFRIC)-Int 12 and the revenue deemed taxable by relevant tax authorities.

** Others included other payables and accruals, tax losses recognised, the discounting impact of trade receivables and derivative financial instruments.

*** The deferred tax charged to profit or loss during the previous year was RMB14,057,000, which was in relation to the discontinued operation.

31. DEFERRED TAX *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023	2022
	RMB'000	*RMB'000*
Deferred tax assets	**46,443**	56,833
Deferred tax liabilities	**(657,977)**	(651,849)
	(611,534)	(595,016)

The Group has tax losses of RMB699,906,000 arising in Chinese Mainland (2022: RMB671,453,000) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses of nil (2022: nil) arising in Hong Kong which can be carried forward indefinitely.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

32. ISSUED CAPITAL

Shares

	2023	2022
	HK$'000	*HK$'000*
Authorised:		
33,683,800,000 (2022: 33,683,800,000) ordinary shares of HK$0.1 each	**3,368,380**	3,368,380

	2023	2022
	RMB'000	*RMB'000*
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,275,167**	1,275,167

33. RESERVES

The amounts of the Group's statutory reserve and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 60 to 61 of the financial statements.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, there was no increase or decrease of property, plant and equipment (2022: addition of RMB34,840,000) due to the reassessment of closure and post-closure provision, which had no cash flow impact on the Group. Besides, the Group had non-cash changes in respect of lease arrangements, including addition and change due to revision, which led to the decrease of lease liabilities of RMB1,206,000 (2022: increase of RMB68,623,000) and the increase of right-of-use assets of RMB1,631,000 (2022: RMB66,196,000).

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	**Interest payables** *RMB'000*	**Lease liabilities** *RMB'000*
At 1 January 2023	**9,107,493**	**33,870**	**33,625**
Changes from financing cash flows	**1,366,331**	**(464,453)**	**(11,445)**
New leases	**–**	**–**	**20,974**
Reassessment and revision of lease terms	**–**	**–**	**(22,180)**
Foreign exchange movement	**(1,780)**	**–**	**–**
Interest capitalised	**–**	**8,292**	**–**
Interest expense	**–**	**432,767**	**937**
At 31 December 2023	**10,472,044**	**10,476**	**21,911**

	Bank and other borrowings *RMB'000*	Interest payables *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2022	11,730,624	40,826	1,319,706
Changes from financing cash flows	(2,437,140)	(601,065)	(21,151)
New leases	–	–	67,062
Reassessment and revision of lease terms	–	–	1,561
Reclassification to liabilities directly associated with held for sale	–	–	(1,273,070)
Foreign exchange movement	(185,991)	(4,237)	(71,580)
Interest capitalised	–	43,182	–
Interest expense	–	555,164	45,561
Interest paid classified as operating cash flows	–	–	(34,464)
At 31 December 2022	9,107,493	33,870	33,625

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within operating activities	**(6,584)**	(22,632)
Within financing activities	**(21,151)**	(55,615)
	(27,735)	(78,247)

35. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the consolidated financial statements are as follows:

	2023	2022
	RMB'000	*RMB'000*
Guarantees given to the government in connection with fulfilling the waste collection contracts and the other activities	**207,993**	192,737

Note: The Group also provided performance guarantees with a total amount of RMB207,993,000 to the grantors in connection with the construction and operation services provided according to the service concession arrangements (2022: RMB192,737,000).

36. PLEDGE OF ASSETS

The Group's buildings, leasehold land, bank deposits, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings. For details, refer to notes 14, 15, 25 and 29 to the financial statements.

37. COMMITMENTS

The Group had contracted construction work for its construction obligation under service concession arrangements amounting to RMB111,376,000 as at 31 December (2022: RMB275,681,000).

38. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the year of 2023:

(a) The transactions and balances with government-related entities are listed below:

The PRC subsidiaries of the Group operate in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). The immediate shareholders of the Company, Beijing Capital (HK) and BCG Chinastar International Investment Limited ("BCG Chinastar"), incorporated in Hong Kong with limited liability, are ultimately controlled by the PRC government. The ultimate parent of both immediate shareholders is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

Beijing Capital Air Environmental Science & Technology Co., Ltd. ("Beijing Capital Air"), Sichuan Bluestone Construction Co., Ltd ("SC BlueStone") and Qinhuangdao Capital Sitai Yida Environmental Protection Technology Co., Ltd ("Qinhuangdao Capital Sitai"), are subsidiaries of Beijing Capital Group.

(i) Transactions with related parties within Beijing Capital Group:

Name of the related parties	**Nature of the transactions**	**2023** ***RMB'000***	2022 *RMB'000*
Beijing Capital (HK)	Rental expenses*	**1,614**	1,546
Beijing Capital (HK)	Interest expenses*	**–**	18,810
BCG Chinastar	Interest expenses**	**–**	21,648
Beijing Capital Eco	Interest expenses***	**115,261**	4,890
Beijing Capital Eco	Guarantees charges***	**–**	9,017
Beijing Capital Group	Guarantee charges****	**2,852**	9,232
Beijing Capital Air	Purchase of machinery^	**35,475**	7,956
SC BlueStone	Construction service income^^	**15,492**	–
Qinhuangdao Capital Sitai	Purchase of machinery^^^	**297**	–

Note: These transactions were conducted in accordance with the terms mutually agreed with the relevant parties. Rental expenses were charged according to the contracts agreed by both parties. Interest expenses were charged based on normal terms and agreed through negotiations between the parties. The services/purchases were made according to the prices and conditions mutually agreed by both parties. The guarantees fees were charged in accordance with the terms of the agreements entered into between the parties.

* The rental expenses were related to the office rental of RMB1,614,000 from Beijing Capital (HK) (2022: RMB1,546,000).

The interest expenses were related to a loan of HK$686,000,000 from Beijing Capital (HK), which was repaid on 30 September 2022.

** The interest expenses were related to a loan of NZ$319,000,000 from BCG Chinastar, which was repaid on 25 May 2022.

*** The interest expenses were related to the loan of RMB3,170,000,000 from Beijing Capital Eco, which bears interest at 4.38% per annum. Interest payables due to Beijing Capital Eco as at 31 December 2023 were RMB118,317,000 (2022: RMB4,890,000).

Beijing Capital Eco provided guarantee services for a loan of RMB300,000,000 from Bank of China (Hong Kong) Limited based on the rate of 0.5% per annum.

**** Beijing Capital Group provided guarantee services for the issued loan of RMB1,000,000,000 based on the rate of 0.5% per annum and for a loan of RMB700,000,000 from PingAn Asset Management Co., Ltd. based on the rate of 0.6% per annum. All the guaranteed charges were repaid during this year (2022: RMB8,018,000).

^ The Group purchased machines and service of construction from Beijing Capital Air. The amount due to Beijing Capital Air as at 31 December 2023 was RMB35,475,000.

^^ The operation service income was related to an environmental remediation project subcontracted to the Group. The project was completed and trade receivables due from SC Bluestone were RMB49,709,000 (2022: RMB32,341,000).

^^^ The Group purchased machines from Qinhuangdao Capital Sitai. The amount due to Qinhuangdao Capital Sitai as at 31 December 2023 was RMB297,000.

38. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

(ii) Transactions and balances with other government-related entities:

The Group recognised revenue from the construction services and operation services of RMB535,159,000 (2022: RMB1,367,213,000) and RMB1,925,332,000 (2022: RMB1,586,308,000), respectively, under service concession arrangements with the local governments in the PRC (see note 20). All the concession financial assets of the Group are due from the local governments in the PRC.

RMB395,798,000 (2022: RMB397,394,000) was due from the Ministry of Finance of the PRC in relation to government dismantling tariffs and electricity generation, which were included in trade receivables.

Trade receivables due from the local governments in Chinese Mainland in relation to the waste management service and electricity generation were RMB1,519,850,000 (2022: RMB1,270,217,000).

Commitments with government-related entities were included in note 37.

Apart from the transactions disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider that those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

(b) The emoluments of key management personnel during the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Short-term benefits	**6,857**	7,921
Post-employment benefits	**316**	227
	7,173	8,148

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	200	–	200
Trade receivables	–	2,079,113	2,079,113
Financial assets included in prepayments, other receivables and other assets	–	491,814	491,814
Pledged deposits	–	40,477	40,477
Cash and cash equivalents	–	661,811	661,811
Total	200	3,273,215	3,273,415

Financial liabilities

	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	1,650,810	1,650,810
Financial liabilities included in other payables and accruals	53,870	53,870
Interest-bearing bank and other borrowings	10,472,044	10,472,044
Amounts due to related parties	141,012	141,012
Total	12,317,736	12,317,736

39. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2022

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investment *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at fair value through other comprehensive income	7,001	–	7,001
Trade receivables		1,801,960	1,801,960
Financial assets included in prepayments, other receivables and other assets	–	414,728	414,728
Pledged deposits	–	37,226	37,226
Cash and cash equivalents	–	1,512,806	1,512,806
Total	7,001	3,766,720	3,773,721

Financial liabilities

	Derivatives designated as hedging instruments *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	–	1,786,155	1,786,155
Financial liabilities included in other payables and accruals	–	88,252	88,252
Interest-bearing bank and other borrowings	–	9,107,493	9,107,493
Amounts due to related parties	–	25,135	25,135
Corporate bonds	–	997,536	997,536
Total	–	12,004,751	12,004,751

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments are reasonably approximate to fair values except bank and other borrowings for which carrying amounts and fair values are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**10,472,044**	9,107,493	**10,487,707**	9,618,974

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the chief executive officer and the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2023 were assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**200**	**200**

As at 31 December 2022:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at fair value through other comprehensive income	–	–	7,001	7,001

Liabilities measured at fair value:

No liability was measured at fair value as at 31 December 2023 (2022: nil).

Assets for which fair values are disclosed:

As at 31 December 2023:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	**Significant observable inputs (Level 2)** *RMB'000*	**Significant unobservable inputs (Level 3)** *RMB'000*	**Total** *RMB'000*
Pledged deposits, non-current portion	**–**	**6,849**	**–**	**6,849**

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed: *(Continued)*

As at 31 December 2022:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Pledged deposits, non-current portion	–	3,278	–	3,278

Liabilities for which fair values are disclosed:

As at 31 December 2023:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Interest-bearing bank and other borrowings	**–**	**10,487,707**	**–**	**10,487,707**

As at 31 December 2022:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	–	9,618,974	–	9,618,974

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as concession financial assets, trade receivables, amounts due to related parties, financial assets included in prepayments, other receivables and other assets, trade payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated profit before tax would have decreased/increased by approximately RMB71,657,000 for the year ended 31 December 2023 (2022: RMB67,299,000).

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB. The Group's certain bank balances are denominated in NZ$, HK$, US$, while certain expenses of the Group are denominated in currencies other than RMB.

The Group was mainly exposed to exchange fluctuations in NZ$, US$ and HK$ against RMB. The following table demonstrates the sensitivity as at 31 December 2023 and 2022 to a reasonably possible changed in the NZ$, US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2023			
If RMB weakens against NZ$	**5**	**–**	**3,887**
If RMB strengthens against NZ$	**(5)**	**–**	**(3,887)**
If RMB weakens against US$	**5**	**(4,340)**	**–**
If RMB strengthens against US$	**(5)**	**4,340**	**–**
If RMB weakens against HK$	**5**	**520**	**–**
If RMB strengthens against HK$	**(5)**	**(520)**	**–**
2022			
If RMB weakens against NZ$	5	–	112,668
If RMB strengthens against NZ$	(5)	–	(112,668)
If RMB weakens against US$	5	1,532	–
If RMB strengthens against US$	(5)	(1,532)	–
If RMB weakens against HK$	5	(11,784)	–
If RMB strengthens against HK$	(5)	11,784	–

* Excluding retained profits

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade receivables, concession financial assets, contract assets (excluding these in relation to intangible assets), financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2023, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the monitoring procedures to ensure that follow-up action is taken to recover long-aged debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is being closely monitored.

The Group's concentration of credit risk by geographical location was mainly in the PRC and New Zealand which accounted for 100% (2022: 100%) of the total trade receivables as at 31 December 2023.

The Group had a concentration of credit risk in concession financial assets and contract assets of RMB10,808,817,000 as at 31 December 2023 (2022: RMB10,846,665,000), representing a guaranteed waste treatment fee to be received from fifty-three (2022: fifty) grantors in service concession arrangements of waste treatment and waste-to-energy plants. Besides, the Group has trade receivables and contract assets of RMB670,282,000 (2022: RMB641,532,000) due from the Ministry of Finance of the PRC and the Group has trade receivables and contract assets of RMB1,955,810,000 (2022: RMB1,217,638,000) due from the local governments. The Group has considered the credit risk and provided the expected credit losses, details are given in notes 20, 21 and 24.

As at 31 December 2023, included in the prepayments, other receivables and other assets were disposal receivables amounted to RMB142,580,000 (2022: RMB111,069,000), which were due from Shangrao Chengtou Energy Group Co., Ltd.（上饒市城投能源環保有限公司）, Huludao municipal government（葫蘆島市政府）and Wengan county government（甕安縣政府）amounting to RMB35,567,000, RMB75,502,000 and RMB31,511,000, respectively. Additionally, RMB223,757,000 (2022: RMB213,642,000) of tender deposits were due from several local governments as tenderers and RMB5,024,000 (2022: RMB5,024,000) of interest receivable due from a third party. The management considers that the credit risk of these balances is limited as these counterparties are with good credit history.

The expected credit losses of RMB7,094,000 were provided for the amount due from Beijing Lanjie with the original amount of RMB7,094,000.

The credit risk on cash and cash equivalents, time deposits and pledged deposits are limited because the counterparties are reputable banks in Chinese Mainland and Hong Kong.

Liquidity risk

The Group monitors its risk to a shortage of funds to consider the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings and adequate unutilised banking facilities.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2023	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade payables	1,650,810	–	–	–	–	1,650,810
Financial liabilities included in other payables and accruals	53,870	–	–	–	–	53,870
Amounts due to related parties	–	141,012	–	–	–	141,012
Lease liabilities	–	21,911	–	–	–	21,911
Interest-bearing bank and other borrowings	–	2,046,679	2,424,087	4,509,407	4,288,450	13,268,623
	1,704,680	2,209,602	2,424,087	4,509,407	4,288,450	15,136,226

2022	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade payables	1,786,155	–	–	–	–	1,786,155
Financial liabilities included in other payables and accruals	88,252	–	–	–	–	88,252
Amount due to related parties	–	25,135	–	–	–	25,135
Corporate bonds	–	1,012,655	–	–	–	1,012,655
Lease liabilities	–	33,625	–	–	–	33,625
Interest-bearing bank and other borrowings	–	1,535,818	850,232	3,949,651	4,804,049	11,139,750
	1,874,407	2,607,233	850,232	3,949,651	4,804,049	14,085,572

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as all assumptions are taken with regard to future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes interest-bearing bank and other borrowings and corporate bonds as disclosed in note 29 and note 30, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

42. EVENTS AFTER THE REPORTING PERIOD

Anhui Capital, a subsidiary of the Company, engages in the recycling and disassembly of waste electrical and electronic equipment. On 1 March 2024, the Group has decided to cease its operation pursuant to the Announcement on Matters Relating to the Suspension of the Fund for the Treatment of Waste Electrical and Electronic Products (《關於停徵廢棄電器電子產品處理基金有關事項的公告》)([2023] No. 74) as mentioned in note 14. The Group has preliminarily assessed the impact of the decision to be insignificant to the Group.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**38**	51
Amounts due from subsidiaries	**1,357,091**	2,307,098
Investments in subsidiaries	**2,322,748**	2,322,748
Total non-current assets	**3,679,877**	4,629,897
CURRENT ASSETS		
Prepayments, other receivables and other assets	**2,422**	586
Bank balances and cash	**47,160**	141,960
Total current assets	**49,582**	142,546
CURRENT LIABILITIES		
Corporate bonds	**–**	997,536
Amount due to a shareholder	**–**	7,413
Other payables and accruals	**6,577**	22,801
Total current liabilities	**6,577**	1,027,750
NET CURRENT ASSETS/(LIABILITIES)	**43,005**	(885,204)
Net assets	**3,722,882**	3,744,693
CAPITAL AND RESERVES		
Share capital	**1,275,167**	1,275,167
Reserves (note)	**2,447,715**	2,469,526
Total equity	**3,722,882**	3,744,693

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Other equity instruments *RMB'000*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Cash flow hedge reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total *RMB'000*
At 1 January 2022	1,670,391	1,367,694	–	(224,173)	(5,106)	(296,181)	2,512,625
Conversion of the functional currency	249,917	120,889	–	(202,851)	–	(254,903)	(86,948)
Profits for the year	–	–	–	–	–	1,186,712	1,186,712
Other comprehensive income for the year	–	–	–	427,024	5,106	–	432,130
Total comprehensive income for the year	249,917	120,889	–	224,173	5,106	931,809	1,531,894
Preference shares repurchased and dividend paid	(1,457,706)	(1,488,583)	1,488,583	–	–	(117,287)	(1,574,993)
At 31 December 2022 and 1 January 2023	462,602	–	1,488,583	–	–	518,341	2,469,526
Profits for the year	**–**	**–**	**–**	**–**	**–**	**108,883**	**108,883**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**108,883**	**108,883**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(130,694)**	**(130,694)**
At 31 December 2023	**462,602**	**–**	**1,488,583**	**–**	**–**	**496,530**	**2,447,715**

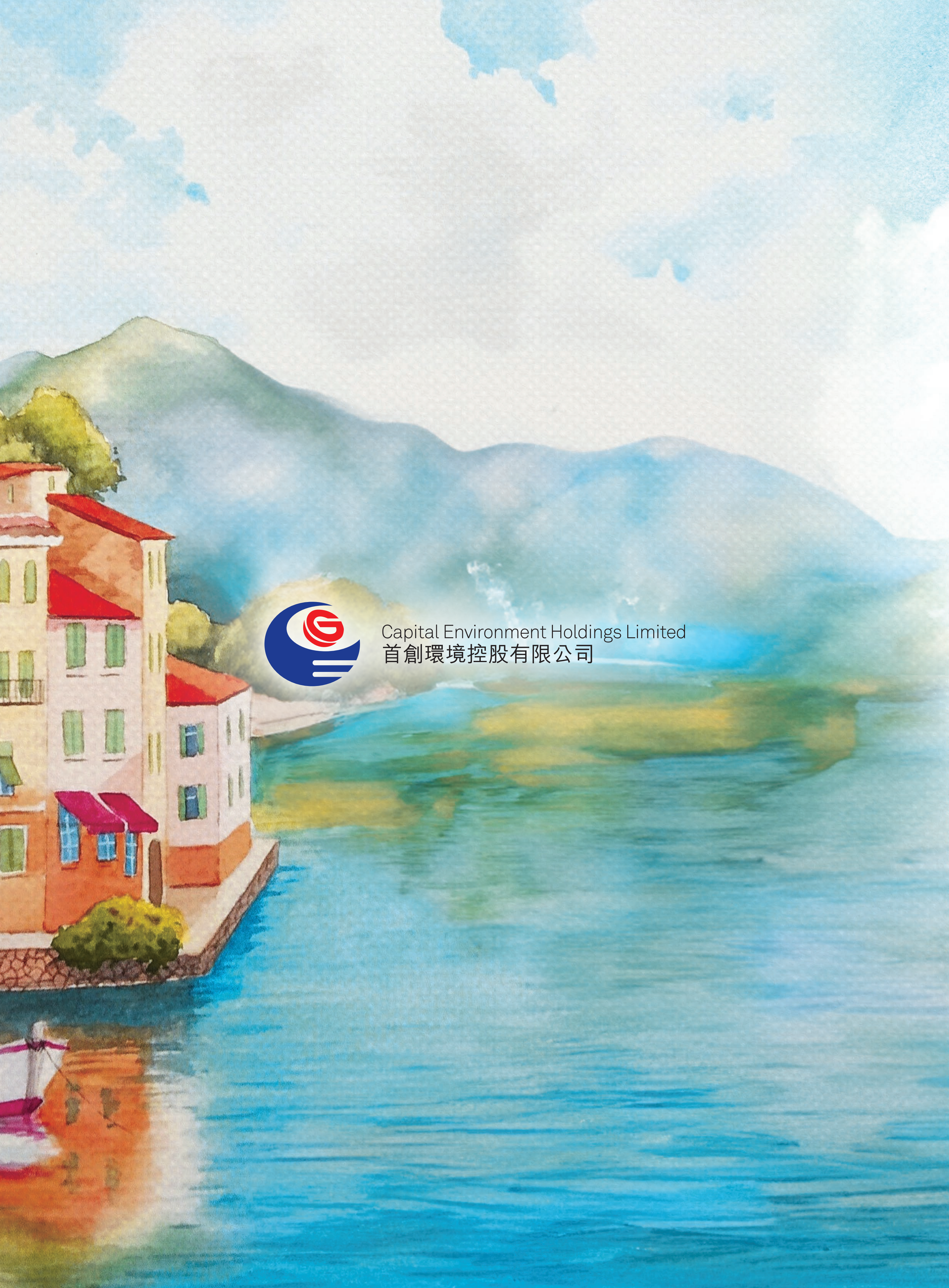
44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 22 March 2024.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	**2023** ***RMB'000***
RESULTS					
Revenue from continuing operations	5,938,095	7,646,659	5,395,943	4,588,955	**4,076,596**
Profit from continuing operations attributable to equity holders of the Company	302,749	466,123	587,118	191,314	**285,380**

	As at 31 December				
	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	**2023** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	18,635,880	24,059,068	26,173,239	20,137,996	**20,287,166**
Total liabilities	(13,394,626)	(16,870,053)	(18,456,618)	(13,453,912)	**(13,591,301)**
	5,241,254	7,189,015	7,716,621	6,684,084	**6,695,865**
Equity attributable to equity holders of the Company	3,622,593	5,622,644	6,210,896	6,493,348	**6,429,390**
Non-controlling interests	1,618,661	1,566,371	1,505,725	190,736	**266,475**
	5,241,254	7,189,015	7,716,621	6,684,084	**6,695,865**


Capital Environment Holdings Limited
首創環境控股有限公司