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

2019
Annual Report 年報

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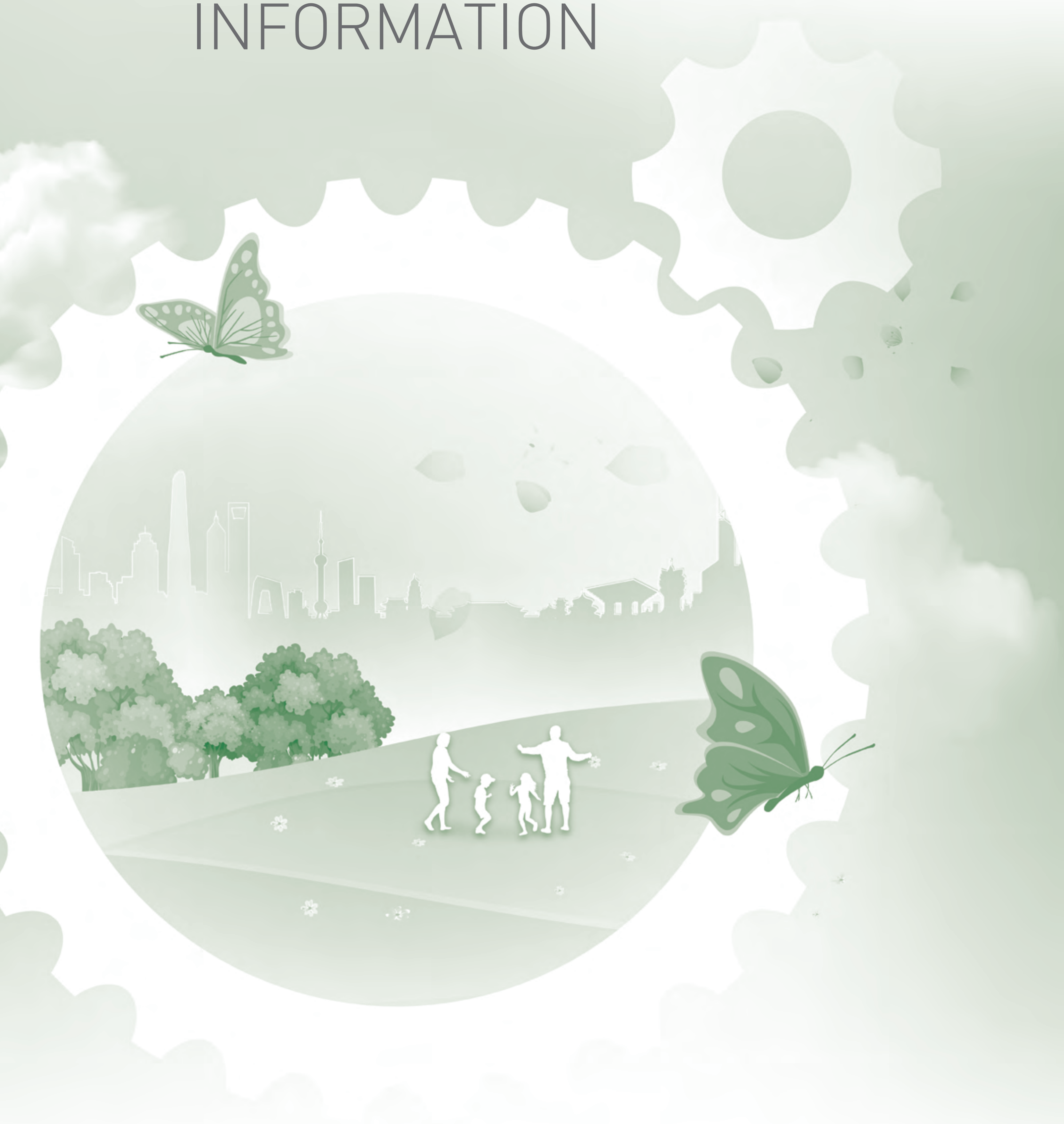
CORPORATE INFORMATION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Guoxian *(Chairman, redesignated on 25 November 2019)*
Mr. Li Fujing *(Chief Executive Officer, appointed on 25 November 2019)*
Mr. Cheng Jialin *(resigned on 4 March 2020)*
Ms. Hao Chunmei
Mr. Xiao Yukun *(appointed on 4 March 2020)*

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

Mr. Cao Guoxian *(Chairman, appointed on 25 November 2019)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
Mr. Cao Guoxian *(appointed on 25 November 2019)*

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Cao Guoxian *(appointed on 25 November 2019)*
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613–1618
16th Floor
Bank of America Tower
12 Harcourt Road, Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISERS

Conyers Dill and Pearman
JNJ Partners LLP

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

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road, P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Cao Guoxian
Chairman

2019 is a challenging year for the global economy when in the face of continuous Sino-US trade frictions, the global economy experienced considerable turbulence. There was an upswing in China's macro economy, followed by a decline, in 2019. In response to unpredictable changes in the global economic climate, China has accelerated and deepened the progress of its comprehensive reform and has been committed to promoting the development of the green environmental protection industry under the new economic normal, and thus the environmental protection industry has become the engine for economic growth and transformation.

In 2019, the Central People's Government published many favorable policies to continuously support the comprehensive development of the environment-friendly economy. Meanwhile, the national environmental protection supervision has been strengthened continuously to promote comprehensive, diversified, standardized and procedural supervision, thus opening a new chapter for the high-quality development of China's green environmental protection industry. With the "family-state" ideal, Capital Environment Holdings Limited (the "Company", and together with its subsidiaries, the "Group") complies with the principle of "social benefits come first, economic benefits are essential", and firmly seizes the opportunities from the strategic development of the environmental protection industry. It forges ahead despite twists and turns, and makes efforts to develop the Group into a leading enterprise in solid waste disposal in the new era, as well as a builder and guardian of beautiful China.

Pursue excellence, strive for improvement. Under the guidance of the "five in one" philosophy and the philosophy of construction of ecological civilization in the new era, as a leading enterprise in the green environmental protection industry, the Group will thoroughly implement the "ecology +" development strategy of Capital Group. On the way to sustainable development, it has examined the situation, and kept its business stable and moving in a positive direction, despite difficulties. Based on achieving a win-win outcome with the government and residents, it has made remarkable achievements for the market and investors.

During the year under review, riding on sound development momentum of the green environmental protection industry, the Group expanded continuously in the environmental protection section and its business area and geographical coverage. The Group successfully obtained 15 waste treatment projects in China, which required a total investment of approximately RMB4,730 million, and had the newly-designed annul solid waste treatment capacity of 3.42 million tons. As at the end of 2019, the projects of the Group covered 20 provinces and municipalities in China as well as the market of New Zealand. 78 environmental protection projects of various types in China were launched domestically with an aggregate amount of investments of over RMB20.6 billion, which provides ample project reserves for the Group's future sustainable development and consolidates its leading position in the environmental protection industry.

Adhering to the development concept of "adjustments, reforms, development, innovations" and management and combining the comprehensive strategic deployment and clear market positioning of Beijing Capital Group Company Limited (北京首都創業集團有限公司) ("Beijing Capital Group"), a substantial shareholder of the Company, while maintaining the sustained and rapid growth of its main businesses, the Group has continuously improved its overall institutionalized management level, established a scientific mechanism for engineering construction and operation management, improved the human resources management system, and further controlled administrative and financial expenses, thus achieving remarkable results of operations for the year.

During the year under review, the income from the Group's principal operating businesses recorded a new high of over RMB5,938 million, representing an increase of 27.75% as compared to 2018; the Group's total assets amounted to over RMB18.636 billion, representing an increase of approximately 25.19% as compared to 2018, while net assets amounted to over RMB5,241 million, representing an increase of approximately 9.10% as compared to 2018.

After a year of hard work and dedication, the Group continues to bear the sustainable responsibility and be awarded as the Top Ten Influential Enterprises in the solid waste industry by virtue of outstanding market influence and clear strategic positioning. This shows the Group's unshakeable faith in sustainable development and its unremitting corporate and social undertaking.

Looking to the future, the Group will be guided by the "ecology +" development strategy to achieve up-down linkage and horizontal interaction between business segments, thus accelerating the replacement of drivers. Relying on the excellent assets of the solid waste business, the Group will make every effort to create an asset light business model, realize enterprise transformation, and build a smart, service-oriented and digital comprehensive enterprise, thus making the good ecological environment a source of growth for the good life of the people, as well as a support for sustained and healthy economic and social development. It will contribute to the construction of a "beautiful China".

At the end of 2019, the outbreak caused by novel coronavirus spread rapidly throughout China. Since the outbreak, the Group has promoted production, operation and outbreak prevention and control in a planned manner, strengthened confidence in outbreak prevention and enhanced anti-outbreak measures, and all of its employees have made concerted efforts, thus achieving remarkable results in outbreak prevention and control, and stable and orderly production and operation. In the next step, based on continuously satisfying the outbreak prevention and control requirements, the Group will properly carry out operation management and strive to accelerate high-quality development.

I would like to give my most sincere greetings to the management and all colleagues of the Group for their hard work and faithful dedication in the past year, and also express my heartfelt thanks to all shareholders of the Company (the "Shareholders"), members of the board of directors of the Company (the "Board"), the Mainland and Hong Kong people and various departments for their full support. The Group will make persistent efforts, taking improvement in national environmental protection as its responsibility, so as to create a beautiful and clean environment, and achieve harmonious coexistence between humans and nature, and make progress towards the target of the harmonious development of the economic and social environment. The Group is setting the sail to ride the wind and waves, towards the goal of a clean environment, in the environmental protection industry.

Cao Guoxian
Chairman

MANAGEMENT DISCUSSION
AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Li Fujing
Chief Executive Officer

BUSINESS REVIEW AND OUTLOOK

In 2019, continuously affected by Sino-US trade frictions, developed economies including the United States, and emerging economies, experienced a slowdown, undermining investor confidence again. In the face of an extremely complicated and tough environment at home and abroad, China, as an important engine of the global economy, actively advanced its economic reform and adjusted the structure, so that its economy was stable and moving in a positive direction. The national policy of comprehensively advancing the development of the green economy and the environmental protection industry has made the green economy and the environmental protection industry the new momentum of China's economic development.

In 2019, China's prime minister summarized and made arrangements for the construction of ecological civilization and the protection of the ecological environment as one of the important contents in the Report on the Work of the Government. He stressed that efforts should be focused on Defending the Blue Sky and other key tasks to continuously advance pollution prevention and control, strengthen the protection and restoration of the ecological system, and promote the development of the green environmental protection industry; and efforts should be made to continue to improve the quality of the ecological environment through overall consideration, tackling of both superficial and root causes, targeted and practical work and other measures, thus bring unprecedented opportunities for the development of the green economy and the environmental protection industry.

Under the general trend of vigorous development of the green economy and the environmental protection industry, the Group has actively responded to national strategies and conformed to industry development. It has focused on value creation, and made efforts for key processes in the solid waste industry chain, with reliance on the strategic plan of Beijing Capital Group, a controlling shareholder. The Company has implemented the development philosophy of high-quality growth. It has enhanced the up-down linkage and promoted the rational matching and synchronous development of light and heavy assets, and become "an important builder and guardian of beautiful China". This is the family-state ideal of all employees of the Group.

During the year under review, the Group advanced aggressively, interpreting the profound meaning of Beijing Capital Group acting as "an important builder and guardian of beautiful China" with tangible action. The Group won the title of "Top 10 Influential Enterprises in China's Solid Waste Industry" for the eighth time. It won a series of awards including "Top 50 Environmental Enterprises in China", "Environmentally and Socially Responsible Enterprises" and "Happy Enterprise — Excellent Case for Building Employee Pride". After the power generation by incineration project in Nanchang established a benchmark for the Group, the power generation by incineration project in Gaoan won China Power Quality Engineering Award. The power generation by incineration project in Duyun won China Chemical Industry Quality Project. Preferential loans from China Clean Development Mechanism Fund were provided for the food waste project in Ningbo. Many projects including the hazardous waste project in Zibo, the power generation by incineration project in Qianjiang and the power generation by incineration project in Lushan won honors such as provincial construction standardization sites, and financial incentives such as support funds from the budget of the central government and local financial subsidies. The above awards mark the recognition of the Group by all sectors of society.

In respect of results of operation, in 2019, total assets of the Group reached RMB18,636 million, representing a year-on-year increase of 25.19%; our turnover was RMB5,938 million, representing a year-on-year increase of 27.75%; profit for the year was RMB426 million, representing a year-on-year increase of 37.1%; our net profit attributable to parent company was RMB303 million, representing a year-on-year increase of 65.68%.

In terms of project reserves, the Group secured a total of 78 projects (including 27 waste-to-energy projects, 9 waste landfill projects, 7 anaerobic digestion technology treatment projects, 19 waste collection, storage and transportation projects, 9 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 5 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB20,600 million, of which the amount of RMB6,755 million has been injected before 31 December 2019. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 17.22 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.20 million units. The said projects have gradually entered into the construction and operation period. As of 31 December 2019, there were 55 domestic projects which have entered the construction and operation period, of which the power generation by incineration project in Nanchang, the domestic waste anaerobic project in Ningbo and the hazardous waste project in Yangzhou, which are representative projects showing the high-level competence of the Group, have been approved as environmental protection demonstration bases by the National Development and Reform Commission and recognized as high-quality electric power projects of China.

In terms of market expansion, the Group successfully secured 15 waste treatment projects in the mainland with a total investment of approximately RMB4,700 million and the new design can handle 3.42 million tons of domestic waste annually. New projects include: the Hazardous Waste Comprehensive Treatment Project in Xinxiang City, Henan Province, the Hazardous Waste Comprehensive Treatment Project in Wuzhong City, Ningxia Hui Autonomous Region, the Power Generation by Domestic Waste Incineration Project in Tanghe County, Nanyang City, Henan Province, the Second Solid Waste Treatment PPP Project in Huojia County, Xinxiang City, Henan Province, the Biomass Cogeneration Project in Lushan County, Pingdingshan City, Henan Province, the Second Meihuan Solid Waste Treatment Plant PPP Project in Renqiu City, Hebei Province, the Power Generation by Domestic Waste Incineration Project in Nong'an County, Changchun City, Jilin Province, the Power Generation by Domestic Waste Incineration Project in Duchang County, Jiujiang City, Jiangxi Province, the Urban and Rural

Domestic Waste Collection and Transportation Project in Anding District, Dingxi City, Gansu Province, the Environmental Issues, such as Sewage, Wastes, Toilets to be unified for the Integrated System of Management Project Phase I in Baiyangdian Village, Xiong'an New District, the Solid Waste Incineration Power Generation PPP Project in Shenzhou City, Hebei Province, the Venous Industry Eco Park PPP Project in Wulingshan, Jishou City, Xiangxi Autonomous Prefecture, Hunan Province, the Power Generation by Domestic Waste Incineration PPP Project in Nanle County, Puyang City, Henan Province, the Power Generation by Domestic Waste Incineration Plant PPP Project in the Central District of Puer City, Yunnan Province, and the Medical Waste Disposal Project in Zibo City, Shandong Province. The Group has established a core business of domestic waste cleaning, transporting, landfilling and incineration for power generation, covering the entire industrial chain (i.e. the initial-phase, middle-phase and end-phase), and simultaneously developed the anaerobic treatment business and hazardous waste treatment business as our branch business. With the electronic waste dismantling business, irregular landfill site treatment business and construction waste recycling business in synchronous development as our supplementary businesses, the Group continued to consolidate and enhance its leading position in the industry.

In terms of technological innovation, Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司), a wholly-owned subsidiary of the Group in the technological innovation sector, won the title of "Leading Enterprise in China's Strategic Emerging Environmental Protection Industry (中國戰略性新興環保產業領軍企業)" for the second year in a row. In 2019, the Group's technical research and innovation in anaerobic treatment, hazardous waste disposal, treatment of informal landfills, smart power plants, etc. were successfully carried out. For the year, it applied for more than 30 patents, obtained 9 authorized utility model patents, and participated in the preparation of national standard domestic waste classification signs. The Group further promoted the industry-university-research integration. It signed an agreement with the School of Materials Science & Engineering, Beijing Institute of Technology in relation to the "industry-university-research cooperation base for recycling hazardous wastes containing toxic metals". It sought technical exchanges and cooperation with excellent enterprises and academies with advanced technologies at home and abroad. These efforts have laid a technical foundation for promoting the Group's scientific and technological innovation, realizing its technological upgrade and driving its transformation of the asset-heavy and asset-light strategy.

In terms of construction project, the Group continued to accelerate the commencement of contracted projects and strived to maintain our leading quality, controllable progress, safety-orientation, and reduced costs. We have secured 20 projects under construction and 7 projects at the planning stage, keeping our highest record since 2018. Among them, 3 projects were completed and put into operation, 4 projects were completed, 16 projects were steadily under construction. The Group gradually improved our standardized management system for projects under construction, established a regionalized management system for engineering projects, firmly upheld safety awareness, and placed safety first at all time so as to ensure that there were no construction safety management accident throughout the year.

In terms of operations management, the Group's operation and trial operation projects reached 35. Among them, there are 4 incineration projects, 6 landfill projects, 15 collection, transportation and cleaning projects, 2 dismantling projects, 5 anaerobic projects, 1 aerobic projects and 2 hazardous waste treatment and transportation project. Key tasks were carried out in an orderly manner according to our scientific management plan. The annual domestic waste disposal capacity was 3.968 million tons, hazardous waste disposal capacity was 8,000 tons and the dismantling amounted to 3,140,000 units, and 7,534,000 square meters of cleaning work was completed. The total amount of on-grid electricity provided was 316,000,000kilowatt per hours.

In terms of market financing, the Group adopted a two-pronged approach that seek to raise funds from the capital market as well as the financing market, so as to guarantee that the Group's needs for operating funds will be met. With regard to capital markets, the Group was assigned a domestic AA+ corporate credit rating and was approved to issue panda bonds and ultra-short-term financing bonds, and was recognized by domestic regulatory agencies, thus expanding financing channels in domestic capital markets. It conveyed the green development philosophy of the Group to domestic investors. This has laid a foundation for the Group's future expansion of financing channels in diversified capital markets. In the financing market, the Group continued to expand its financing channels and conducted a wide range of cooperation with a number of banks such as the Industrial Bank, Bank of Beijing and Bank of Ningbo, and acquired current assets credit of RMB2.4 billion and fixed assets loan credit of approximately RMB1.8 billion throughout the year.

In terms of overseas market, the Group held 51% shares of BCG NZ Investment Holding Limited ("BCG NZ Group"). BCG NZ Group has been operating continuously for more than 100 years, and is the largest waste management service supplier in New Zealand with nearly 40% market share，ranking the first in New Zealand. It has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 300,000 customers in major cities of New Zealand，such as Auckland, Wellington and Christchurch.

With the development of our business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and global layout, and strengthen the efficiency and the synergistic effect, the Group has successively established the South Investment Center, the North Investment Center, the Anaerobic Industry Department, the Hazardous Waste Industry Department and the International Business Department in the past few years to promote project investment and construction in regions, focus on key process in the industry chain, improve technological and lean management, and consolidate its position in existing business sectors in which it has advantages. Depending on the first-rate assets of our solid waste business, we have created a light asset business model and explore a new path to construct an ecological culture that is in harmony with nature and synergistic, so as to contribute to the creation of a "beautiful China".

Looking ahead, against the backdrop of the huge demand for green environmental protection industry during the economic and social development in China and great support of the PRC government for the industry, with the consistent full support of Beijing Capital Group, a controlling Shareholder, the Group will continue to follow the "ecology +" development strategy of Beijing Capital Group: orientation according to overall strategies, resource allocation through major adjustment, development driven by major events and cohesion with great culture; and will seize all good opportunities in the future development to realize comprehensive and magnificent plans of Beijing Capital Group in the environmental protection industry.

The Group is on target for increasing its capability in solid waste treatment by at least 7,000 tons per day in the coming year. As of 31 December 2019, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in several waste treatment projects by way of tender or acquisition. The Group's domestic projects have continuously increased and successively entered into the construction and operation period, which has contributed to the rapid growth of the Group's results. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management is confident of achieving sustained growth in the medium-to-long term.

In order to meet the financial needs of the Group's future business development, the Group will conduct adequate research on the change trends in the global financing markets and capital markets, as well as make comprehensive assessment on the strengths and weaknesses of various financing instruments, so as to utilize several sources of funding to raise low-cost capital to finance the future investments by taking account of its short-term, medium-term and long-term funding needs with an aim to increase the market capital of the Group and create value for the Shareholders.

At the end of 2019, the Group has experienced a major public health emergency with the fastest spread, the widest range of infections, and the most difficult prevention and control since the founding of the PRC. During the Coronavirus disease outbreak prevention and control period, under the leadership of the management team, all the colleagues of the Group unite and cooperate with one heart. The majority of cadres and employees actively fulfill their responsibilities, always adhere to their posts, and carry forward the pioneering spirit with practical actions. More than 2,000 employees of 39 project companies continued to work, becoming a viable force in the local epidemic prevention teams and providing important guarantees for the stable operation of many cities across the country. As of now, none of the employees of the Group has become suspected or confirmed cases. The Group has made overall plans for the prevention and control of epidemic situations and the production and operation of enterprises. In accordance with the requirements of the State Council's Guidelines on Preventing and Controlling Epidemic Situations for Resumption and Reproduction of Enterprises and Institutions, the Group has promoted the resumption and reproduction in an orderly manner. Efforts will be made to strengthen production and operation scheduling, implement measures related to production safety, coordinate overall deployment of internal work, accumulate development energy, and work hard to build a foundation for the Group's high-quality development.

FINANCIAL REVIEW

Overview

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached RMB5,938.095 million, representing an increase of approximately 27.75% as compared to RMB4,648.196 million in 2018. Profit attributable to owners of the Group in 2019 was RMB302.749 million, representing an increase of approximately 65.68% as compared to RMB182.733 million in 2018. The increase of profit was mainly attributable to the strengthening of the Group's management of operating projects, improving operating efficiency, promoting a substantial increase in operating income, accelerating the progress of engineering projects, and driving the growth of construction services revenue. At the same time, the Nanchang project reversed losses in previous years and recovered related interest income.

The finance costs of the Group saw an increase of approximately 40.50% to approximately RMB435.805 million as compared to that of 2018. The increase was mainly attributable to the impact of new project loans of the Group during the year under review and the issuance of USD300 million green bonds in the second half of 2018. For details, please refer to Note 35 of the financial statements.

Financial Position

As at 31 December 2019, the Group had total assets amounting to approximately RMB18,635.880 million and net assets attributable to the owners of the Company were approximately RMB3,622.593 million. As at 31 December 2019, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 71.88%, an increase of 3.88% from 68% at the end of 2018. The increase was mainly attributable to the increase in funding requirements for new projects. The Group added new project loans during the year under review to meet capital requirements. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.59 on 31 December 2018 to approximately 1.52 on 31 December 2019. The decrease was mainly attributable to the continuous increase in construction and operating projects, which resulted in an increase in operating payables.

Financial Resources

The Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 31 December 2019, the Group had cash and bank balances and pledged bank deposits of approximately RMB1,600.770 million, representing a decrease of approximately RMB810.761 million as compared to approximately RMB2,411.531 million at the end of 2018. The decrease was mainly attributable to the continuous investment in construction of the Group's projects during the year under review and the impact of capital expenditures. Combined with the Company's operating and investment plans, the current financial resources can meet the Company's operating and investment needs. Currently, most of the Group's cash is denominated in US$, HK$, RMB and NZ$.

Borrowings

As at 31 December 2019, the Group had outstanding borrowings of approximately RMB7,330.823 million, representing an increase of approximately RMB1,496.088 million as compared to approximately RMB5,834.735 million at the end of 2018. The borrowings comprised secured loans of approximately RMB2,907.343 million and unsecured loans of approximately RMB4,423.480 million. The borrowings are denominated in HK$, RMB and NZ$. Approximately 58% and 42% of the borrowings are at fixed rate and variable rate, respectively.

Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in US$, HK$, RMB and NZ$. 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 timely and appropriate hedging activities when needed.

Pledge of Assets

As at 31 December 2019, the guarantees of certain banking facilities of the Group included certain proceeds under the Group's service franchise arrangement and prepaid land lease payments and buildings of RMB80.807 million.

Commitment arrangements

As at 31 December 2019, the Group had commitment of approximately RMB3,674.05 million and RMB325.011 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2019, the Group provided guarantees of approximately RMB356.556 million to the government institutions of New Zealand in respect of the continuous operation or the fulfillment of operation standards of the landfill sites.

Employee Information

As at 31 December 2019, the Group had about 4,547 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cao Guoxian, aged 56, is a postgraduate, he was appointed as an executive director of the Company ("Director") and chief executive officer of the Company ("Chief Executive Officer") in July 2011, and was redesignated as executive Director and the Chairman of the Board on 25 November 2019. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation (北京京放經濟發展公司), assistant to the chairmen of Beijing Capital Land Ltd. (首創置業股份有限公司), deputy officer of the office of Beijing Capital Group and deputy general manager of Beijing Capital Co., Ltd. (北京首創股份有限公司) ("Beijing Capital Company").

Mr. Cao has engaged in local and foreign investment and financing business for many years, with extensive experience in investment management and wide international perspective. He also has considerable knowledge and operating experience in international investment and financing and capital market.

Mr. Li Fujing, aged 39, is a senior economist, an engineer, as well as a postgraduate at Beijing Jiaotong University. He was appointed as an executive Director and the Chief Executive Officer on 25 November 2019. Before joining the Company, he worked as the deputy general manager at the environmental industry department of Beijing Capital Group. 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 the 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 in May 2013 and successively acted as the assistant to general manager at the infrastructure department, the deputy general manager at the environmental industry department and a director of its certain domestic and foreign subsidiaries.

Ms. Hao Chunmei, aged 49, is a Senior Accountant, Certified Public Accountant and Certified Public Valuer, was appointed as an executive Director in April 2018. 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 deputy general manager and financial controller of Beijing Capital Company (stock code on Shanghai Stock Exchange: 600008), and the general manager of Beijing Capital (Hong Kong) Limited. Ms. Hao served as the officer of Financial Department in China Datang Technologies & Engineering Co., Ltd., (中國大唐集團科技工程有限公司) and successively served as a department head of planning and finance department, the general manager of Accounting Information Department, the deputy general manager and general manager of the planning and finance department of Beijing Capital Company. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

Mr. Xiao Yukun, aged 40, holds a bachelor's degree in economics from China Agricultural University and an MBA from the University of Illinois at Chicago. He was appointed as an executive Director in March 2020. Mr. Xiao has been the deputy general manager of Beijing Capital Investment & Guarantee Co., Ltd. (北京首創融資擔保有限公司) since February 2015. Prior to that, he was the principal staff member of the Administrative Politics and Law Department of the Beijing Municipal Bureau of Finance (北京市財政局行政政法處) and the deputy researcher of the Cadre Deployment Office of Organization Department of Beijing Municipal Party Committee (北京市委組織部幹部調配處), and assistant general manager and deputy general manager of Beijing Capital Investment Rail Transit Assets Management Company (北京京投軌道交通資產經營管理有限公司). He has rich experience in human resource management and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 72, was appointed as an independent non-executive Director 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 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 ("Stock Exchange"), 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 Oriental Press Group Limited, Sing Lee Software (Group) Limited, Zhuzhou CRRC Times Electric Co. Ltd, Soundwill Holdings Limited and Maoye International Holdings Limited.

Mr. Cheng Kai Tai, Allen, aged 56, was appointed as an independent non-executive Director in January 2010. Mr. Cheng is a qualified accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. 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 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, Eva, age 54, was appointed as an independent non-executive Director in July 2012. She 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 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 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.

SENIOR MANAGEMENT

Mr. Gu Jinshan, a Doctor degree holder, senior engineer, was appointed as the Deputy General Manager of the Company in February 2015. He is mainly responsible for the Corporate Management of the Company. Mr. Gu obtained a doctor degree in radio waves engineering from Southeast University, a master degree in engineering from College of Optoelectronic Science Engineering of Nanjing University of Science and Technology and a bachelor degree in electronic engineering from Changchun University of Science and Technology (formerly known as Changchun Institute of Optics and Fine Mechanics). Mr. Gu was the laser engineer of Nanjing University Institute of Communication Technology of Ningbo Bird Co., Ltd., the operation director of the Technology & Network Construction Department of China United Network Communications Limited, the committee member of Party Committee and Deputy General Manager of China United Network Communications Limited Tangshan Branch, the Party Committee member of People's Government and assistant to mayor of Meishan city of Sichuan.

Ms Liu Jing, was appointed as Deputy General Manager of the Company in November 2019, responsible for the international business department and hazardous waste industry department of the Company. Ms Liu graduated from Economics Department of Guangzhou Institute of Foreign Trade, majoring in international trade. She holds a master degree (part-time) of economic from Finance, Trade and Economics Department from Graduate School, the Chinese Academy of Social Sciences. She successively served as a clerk of the Overseas Department in Beijing Capital Group, a clerk of Securities Affairs Department, a clerk, deputy general manager and general manager of the International Cooperation Department in Beijing Capital Company, assistant to the general manager, secretary of the Board of Directors and executive deputy general manager in Beijing Capital (Hong Kong) Limited. She is currently a director representative and shareholder representative of BCG NZ Group and ECO Industrial Environmental Engineering Pte. Ltd.

Mr. Liu Yanjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for corporate strategy, capital market and management of the Board. Mr. Liu obtained a bachelor degree in environmental science from the Northeast Normal University and a master degree in business administration from the University of Technology of Sydney, Australia. He was previously a chief of office in project management in Harbin Drainage Management, a senior investment manager in PCCW (Beijing) Limited, a deputy general manager of the Strategy Department and a General Manager of the International Cooperation Department in Beijing Capital Company and a deputy general manager in 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 solid experience in the formulation of the development strategies for investment companies and the operation of capital market.

Mr. Xu Jinjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for the technology and engineering of the Company and the operational management of South Investment Center. Mr. Xu obtained a master degree from the Chinese Academy of Sciences. He has an educational background in both the management and environmental engineering. He was previously a secretary to general manager in Beijing Cement Plant of BBMG Group, a general manager of the Department of Water Business Unit in Duoyuan Global Water Inc., a general manager of the Market Management Department in Duoyuan Electricity and Gas, and a deputy general manager in Hunan Capital Investment Co., Ltd.. Mr. Xu has nearly twenty years of experience in the environmental protection area. He has extensive knowledge in the financial forecast, laws and regulations, technological standards and relevant industry practices for franchising projects of public utilities. He has a well-developed network in the environmental protection industry and is good at team building and organizational management. He has relatively deep knowledge about and extensive practical experience in the investment, construction and operational management in public infrastructures.

Mr. Yan Shengli, was appointed as the Assistant President of the Company in June 2011 and then as the Vice President in January 2013. Mr. Yan is responsible for leading of Operation Center and Legal affairs of the Company. Mr. Yan obtained a master degree of economic legal studies from Huazhong University of Science & Technology and a bachelor degree in mathematics from Henan Normal University, is a practicing lawyer of PRC, 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 more than 20 years and as an arbitrator for ten years. He was previously the legal counsel of several sizable enterprises and government authorities in PRC. He has been familiar with the operation practice, regulations and management style of Government and enterprises; Mr. Yan was previously the secretary of Judiciary Department in Factory 9623 of China North Industries Group Corporation; a senior partner of Henan Ziwu Solicitors & Co., a general manager of Henan Hongda Properties Company; and a partner of Beijing Rongshi Solicitors & Co. and Beijing Chang'an Solicitors & Co..

Mr. Hu Zaichun, was appointed as the Assistant President of the Company in September 2011 and then as the Vice President of the Company in January 2013, responsible for the investment construction and operation management of anaerobic treatment business. Mr. Hu is a postgraduate from University of Chinese Academy of Sciences and Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences, and holds a bachelor degree from the University of Science and Technology of China. He was a visiting scholar of National Center for Atmospheric Research, USA. Mr. Hu served as an engineer in the Investment Division of the Planning Bureau of Chinese Academy of Sciences (Financial Planning Bureau), secretary to the Special Inspector of the State Council, general manager of the Property Management Department of Chinese Academy of Sciences Holdings Co., Ltd. (中國科學院國有資產經營有限責任公司), chairman of the second session of board of directors in Architecture Design and Research of C. A. S, director of the first session of board of directors in CAS Publication Group Co., Ltd, assistant to the general manager and secretary of the board of directors in China Science Publishing & Media Group Ltd..

Mr. Yin Hang, was appointed as the Assistant President of the Company on 1 March 2016, in charge of the North Investment Center and assisting the Chief Executive Officer in taking charge of the audit department. Mr. Yin, holding a bachelor's degree from Beijing Institute of Technology, acted as the general manager assistant of the enterprise management department of Beijing Capital Group. He has over ten years of working experience in the environmental protection field and is familiar with the operation mode of franchise. He has led and participated in investment and acquisition of many water and solid waste projects. He is familiar with corporate internal control and risk management systems and has years of experience in corporate internal control management.

Ms. Wong Bing Ni, was appointed as company secretary of the Company ("Company Secretary") and Authorized Representative of the Company in June 2010. Ms. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. She holds a master degree in professional accounting and she has over twenty years of experience in corporate secretarial affairs, internal control and financial management of listed companies in Hong Kong.

CORPORATE GOVERNANCE REPORT

The Board 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 complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules 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 confirmed that they have fully complied with the required standards set out in the Model Code throughout the year under review.

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 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 management, under the leadership of the Board, will be empowered 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.

As at 31 December 2019, the Board comprises four executive Directors and three independent non-executive Directors:

Executive Directors

Mr. Cao Guoxian *(Chairman) (re-designated as the Chairman on 25 November 2019)*
Mr. Li Fujing *(appointed as an executive Director and the Chief Executive Officer on 25 November 2019)*
Mr. Cheng Jialin *(resigned on 4 March 2020)*
Ms. Hao Chunmei

Independent Non-executive Directors

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

The biographical details of the above Directors (except Mr. Cheng Jialin) and Mr. Xiao Yukun (appointed as an executive Director on 4 March 2020) 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 has sufficient time and attention to deal with the Company's affairs. 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 three independent non-executive Directors whom the Company considers having 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 three 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 three independent non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management. Two of the independent non-executive Directors, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen, have served as an independent non-executive Director in the Company for more than 9 years. However, there is no evidence suggesting that their independence has already been or will be compromised or affected, especially in terms of the implementation of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen will present the balanced and objective opinion to continue his valuable contributions to the Company.

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. A 14 days minimum notice is given to all Directors before each regular board meeting and a reasonable notice will also be given for convening other board meetings, 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 invariably invited 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, 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 comments within a reasonable time after the meeting.

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

	Meeting attendance/held Board meetings	General meetings
Executive Directors		
Ms. Zhang Meng *(resigned on 25 November 2019)**	9/9	1/1
Mr. Cao Guoxian *(re-designated as the Chairman on 25 November 2019)*	8/10	1/1
Mr. Li Fujing *(appointed on 25 November 2019)***	1/1	0/0
Mr. Cheng Jialin *(resigned on 4 March 2020)*	8/10	1/1
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, Eva	10/10	1/1

* Nine meetings of the Board and one general meeting were held during the period of her appointment.

** One meeting of the Board and none general meetings were held during the period of his appointment.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Provision A.6.5 of the Code provides that 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 2019, 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. The trainings and professional development attended by each Director are as follows:

	Type of training
Executive Directors	
Ms. Zhang Meng *(resigned on 25 November 2019)*	B
Mr. Cao Guoxian *(re-designated as the Chairman on 25 November 2019)*	B
Mr. Li Fujing *(appointed on 25 November 2019)*	A,B
Mr. Cheng Jialin *(resigned on 4 March 2020)*	B
Ms. Hao Chunmei	B
Independent Non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	B
Dr. Chan Yee Wah, Eva	B

Notes:

A: attending seminar/workshops/forums/training courses

B: reading newspapers, publications and updates in relation to economic and environmental issues or duties and responsibilities of Directors

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman (Ms. Zhang Meng resigned and Mr. Cao Guoxian succeeded on 25 November 2019) 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 (Mr. Cao Guoxian vacated and Mr. Li Fujing succeeded on 25 November 2019) is responsible for the day-to-day management of the Group and the implementation of the strategies approved by the Board.

NON-EXECUTIVE DIRECTORS

During the year under review, each of the independent non-executive Directors has entered into letter of appointment with the Company for a term of three years and all subject to the rotational retirement provisions of the articles of association of the Company.

BOARD COMMITTEES

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions within its terms of reference. The 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 and disclosures in the corporate governance report as required under the Appendix 14 of the Listing Rules.

Nomination Committee

The Board established 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. The chairman of the Nomination Committee is Mr. Cao Guoxian, an executive Director and the Chairman of the Company (appointed on 25 November 2019) and other members are three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva. The principal roles and functions of the Nomination Committee include:

— to review the structure, size and composition 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 followings when making recommendations to the Board for election of an individual as an independent non-executive Director: (i) the independence of the independent non-executive Director; (ii) if the proposed independent non-executive Director will be holding their seventh (or more) listed company directorship, the individual would still be able to devote sufficient time to discharge director's duties; (iii) the perspectives, skills and experience that the individual can bring to the Board; and (iv) how the individual contributes to the diversity of the Board;

— to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairperson of the Board and the chief executive officer; and

— to review the Board's 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 the 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 in the annual general meeting pursuant to the 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 had held two meetings, for (i) the re-nomination of Mr. Cheng Jialin, Ms. Hao Chunmei, Mr. Pao Ping Wing and Dr. Chan Yee Wah, Eva who were retiring at the annual general meeting held on 27 June 2019 as Directors and they were willing for re-election in the same annual general meeting; and (ii) Mr. Cao Guoxian, a former executive Director and the Chief Executive Officer, upon nomination, has been re-designated as an executive Director and the Chairman of the Board, he also serves as the authorised representative, member and chairman of Nomination Committee and member of Remuneration Committee of the Company, and the nomination of Mr. Li Fujing as an executive Director and the Chief Executive Officer.

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

	Meeting attendance/held
Ms. Zhang Meng *(Former chairlady of the Nomination Committee) (resigned on 25 November 2019)**	2/2
Mr. Cao Guoxian *(Chairman of the Nomination Committee) (appointed on 25 November 2019)***	0/0
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2
Dr. Chan Yee Wah, Eva	2/2

* Two meetings of the Nomination Committee were held during the period of her appointment.

** No meeting of the Nomination Committee was held during the period of his appointment.

Remuneration Committee

The Company established the Remuneration Committee on 15 June 2006 with written terms of references. During the year under review, the Remuneration Committee comprises three members, a majority of whom are independent non-executive Directors. 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. Cao Guoxian, an executive Director and the Chairman of the Company. The principal roles and functions of the Remuneration Committee include:

— to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and Senior Management of the Group;

— to approve the terms of executive Directors' service contracts;

— to have the delegated responsibility to determine the specific remuneration packages of all executive Directors and Senior Management of the Group, and make recommendations to the Board of the remuneration of non-executive Directors and independent non-executive Directors;

— to review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

— to review and approve the compensation payable to executive Directors and Senior Management of the Group in connection with any loss or termination of their respective office or appointment; and

— to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

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

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

	Meeting attendance/held
Mr. Pao Ping Wing *(Chairman of the Remuneration Committee)*	2/2
Mr. Cheng Kai Tai, Allen	2/2
Ms. Zhang Meng *(resigned on 25 November 2019)**	2/2
Mr. Cao Guoxian *(appointed on 25 November 2019)***	0/0

* Two meetings of the Remuneration Committee were held during the period of her appointment.

** No meeting of the Remuneration Committee was held during the period of his appointment.

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

Audit Committee

The Company established 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, Eva, Mr. Pao Ping Wing, and Mr. Cheng Kai Tai, Allen respectively. Dr. Chan Yee Wah, Eva 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 any question of 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;

— maintain an appropriate arrangement allowing employees of the Group to draw attention to improprieties in financial reporting, internal monitoring or otherwise; and

— 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 two meetings with the Group's Senior Management and its external auditors. The attendance records of each member of the Audit Committee is set out below:

	Meeting attendance/held
Dr. Chan Yee Wah, Eva *(Chairlady of the Audit Committee)*	2/2
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2

The works performed by the Audit Committee during the year under review include:

— to review the interim report and interim results announcement for the six months ended 30 June 2019;

— to review the annual report and annual results announcement for the year ended 31 December 2018;

— to review the accounting principles and practices adopted by the Group and other financial reporting matters;

— to discuss with external auditor on any significant findings and audit issues;

— to discuss with the Management on the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls; and

— to review all significant business affairs managed by the executive Directors.

Minutes of the meeting 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 2019, 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	4,356
Non-audit service	2,337
	6,693

RISK MANAGEMENT AND INTERNAL CONTROLS

Goals and objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. 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 to achieve its business objectives, safeguard its assets against unauthorised 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 provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the achievement of the Company's business objectives.

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, perfects 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 systems; and

— to ensure that 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 guides and operations of daily business process of the Company, including the management methods of internal control, operating control brochure, operating control evaluation brochure, management system, routine performance and information disclosure; and

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

Internal Audit Department and Corporate Management Department

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

— 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.

Process Used to Identify, Evaluate and Manage Significant Risks

The Company's process used to identify, evaluate and manage significant risks is summarized as follows:

Internal Environment

— in accordance with the internal self-development needs of the Company and regulatory requirements of regulatory authorities, the Company adopts an internal control system that possesses the characteristic of the Company to gradually improve the governance level of the Company.

Risk Assessment

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

— to prioritize the risk in accordance with their likelihood of occurrence and impact on the business.

Control Activities

— with reference to the basic standard for enterprise internal control and related guidelines, the Company establishes a completed management system and management process.

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 the external independent consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control system and report 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 system for the year ended 31 December 2019.

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 2019, 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 person of latest regulatory requirement. The Company will regularly review and update the guidelines or policies to ensure the compliance with regulatory requirements.

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 under it in January 2019. During the year under review, 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 subject to legal review;

— legal personnel participate in professional training regularly;

— complete the target set in the 2019 letter of responsibility for cleaning up cases; and

— the legal affairs department carried out a random inspection as to the legal compliance by project subsidiaries, thus providing support for the comprehensive prevention of legal risks of project companies.

COMPANY SECRETARY

The Company Secretary is a full-time employee of the Company, has an understanding of the Company's day-to-day affairs, and shall be responsible to the Board. 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 other committees of the Board.

During the year ended 31 December 2019, the Company Secretary had confirmed that she had taken no less than 15 hours of relevant professional training.

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 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.

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 Directors' Election" 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 also 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 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 of the Company is given the highest priority. 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 of the Group 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 in the presence of the Company's external auditors. All Directors and Senior Management of the Group 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.

During the year ended 31 December 2019, there had been no significant change in the Company's memorandum and articles of association documents.

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 2019, 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 Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

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 2019 are set out in the consolidated statements of profit or loss and comprehensive income on pages 44 to 45 of this annual report.

The Board did not recommend the payment of final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: nil).

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 ("Dividend Policy"), 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 articles of association of the Company.

BUSINESS REVIEW

A review of the business of the Group during the year, 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 provided in Management Discussion and Analysis on pages 9 to 14 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 48 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2019.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 48 to 49 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 152 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 13 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 38 to the consolidated financial statements.

NOTES

As at 11 September and 18 October 2018, the Company issued the 5.625 per cent. notes due 2021 with a total carrying amount of US$300,000,000. The Notes have the benefit of a keepwell and liquidity support deed and a deed of equity interest purchase undertaking provided by Beijing Capital Group, the controlling Shareholder. The Notes are rated "BBB" by Fitch Ratings Ltd. All the proceeds of the offering of the Notes will be used in accordance with the Green Bond Framework of Beijing Capital Group to fund or refinance Eligible Green Assets and Projects undertaken by the Company.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 34 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse 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 during the year and up to the date of this annual report are:

Executive Directors

Mr. Cao Guoxian *(Chairman, redesignated as Chairman on 25 November 2019)*
Ms. Zhang Meng *(Former chairlady, resigned on 25 November 2019)*
Mr. Li Fujing *(appointed as executive Director and Chief Executive Officer on 25 November 2019)*
Mr. Cheng Jialin *(resigned on 4 March 2020)*
Ms. Hao Chunmei
Mr. Xiao Yukun *(appointed on 4 March 2020)*

Independent Non-executive Directors

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

In accordance with articles 86 and 87 of the articles of association of the Company, Mr. Cao Guoxian, Mr. Li Fujing, Mr. Xiao Yukun, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva, 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 still considers them to be independent. In which, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen, the independent non-executive Directors, have been serving in the Company for more than 9 years. However, there is no evidence suggesting that their independence has already been or will be compromised or affected, especially in terms of the implementation of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen will present the balanced and objective opinion to continue his valuable contributions to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior Management are set out on pages 15 to 18 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the 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 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 CONTRACTS

There are no 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 at the year-end or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2019, 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance was continuously in force during the year ended 31 December 2019.

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

As at 31 December 2019, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any 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")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to 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 2019, the following Shareholders had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

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

(L) denotes a long position

Notes:

1. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Company which was controlled by Beijing Capital Group. As such, Beijing Capital Group and Beijing Capital Company were deemed to have interest in the shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

2. BCG Chinastar International Investment Limited is the wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is deemed to be interested in the shares held by BCG Chinastar International Investment Limited in accordance with the SFO.

Save as aforesaid, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2019 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group conducted the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Formation of Joint Venture Company

On 17 May 2019, 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, entered into a joint venture agreement (the"Joint Venture Agreement") with Beijing Capital Company in respect of the establishment of Hebei Xiongan Pioneer Environmental Governance Limited (河北雄安首創環境治理有限公司) ("Xiongan Capital"), a company established in the PRC in accordance with the Joint Venture Agreement. According to the Joint Venture Agreement, Capital Investment agreed to contribute RMB35,471,100 in cash, accounting for 49% of the equity interest in Xiongan Capital; Beijing Capital Company agreed to contribute RMB36,918,900 in cash, accounting for 51%. Xiongan Capital will be responsible for operating phrase I of the integrated system of management project in respect of environmental issues, such as sewage, wastes, toilets in Baiyangdian Village (白洋淀農村) in Xiongan District of the PRC.

As at the date of the Joint Venture Agreement, Beijing Capital Company is a substantial Shareholder and is therefore a connected person of the Company under the Listing Rules. The entering into of the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules (the "Transaction"). As one or more of the applicable percentage ratios as defined in Rule 14A.06 of the Listing rules calculated with reference to the Transaction exceed 0.1% but are less than 5%, the Transaction is subject to the reporting and announcement requirements, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Corporate Financing Guarantee Service

On 7 November 2017, Capital Investment and Beijing Capital Group entered into an 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 caps for the maximum guarantee fee payable by the Group for the years ended 31 December 2017, 2018, 2019, 2020 and 2021 were RMB0.904 million, RMB6 million, RMB6 million, RMB6 million and RMB5.096 million respectively.

As at 31 December 2019, the Group drew down a sum of loans of RMB1 billion from Ping An Asset with regard to the Financing Agreement. The Group's guarantee fee payable to Beijing Capital Group for the year ended 31 December 2019 was RMB6 million.

On 7 November 2017 (i.e. the date of the Entrustment Guarantee Agreement) and 31 December 2019 (i.e. the end date of the year under review), Beijing Capital Group was a controlling Shareholder, 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.

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

The independent non-executive Directors 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 as a whole.

Save as disclosed above, during the year, the Group entered into certain transactions with related parties as defined in accordance with applicable accounting standards, and details of which are set out in note 45 to the consolidated financial statements of this annual report. Such related party transactions include the connected transactions (fully exempted pursuant to Chapter 14A of Listing Rules). The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of 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 25.98% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 5.62%.

Purchase from the Group's five largest suppliers accounted for 10.6% of the Group's total purchases for the year and purchase from the Group's largest customer included therein accounted for 2.98%.

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 the Group's five largest customers or five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the 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 existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold 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 19 to 30 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's implementation of environmental and social responsibilities will be set out in the Environmental, Social and Governance report, which will be uploaded to the websites of the Company and the Stock Exchange by the end of May, 2020.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by Ernst & Young who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Cao Guoxian
Chairman

Hong Kong, 20 March 2020

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 44 to 151, which comprise the consolidated statement of financial position as at 31 December 2019, 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 a summary of significant accounting policies.

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 2019, 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 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 determination of applicable accounting models, estimation of the future guaranteed receipts, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and 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 requiring special audit consideration. The accounting policies and disclosures for service concession arrangements are included in note 2.4 Summary of significant accounting policies — Service concession arrangements, note 3 Significant accounting judgements and estimates — Service concession arrangements, note 3 Significant accounting judgements and estimates — Percentage of completion of construction work, note 5 Revenue, other income and gains, note 17 Other intangible assets and note 22 Concession financial assets and note 23 Contract assets to the consolidated financial statements.	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. In addition, we involved our internal valuation specialists to assist us in evaluating the gross margins for construction services and discount rates. We also evaluated management's assessment of percentage of completion of construction services by inquiring management about the status of significant projects under construction and examining independent surveyors' reports. We tested the underlying data adopted by independent surveyors, which included checking to purchase contracts, invoices and goods delivery notes for construction costs. We also understood 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 matter	How our audit addressed the key audit matter
Impairment of concession financial assets	
Concession financial assets represented the guaranteed receipts of waste treatment fees under the service concession arrangements. The balance of concession financial assets at 31 December 2019 amounted to RMB2,230 million, which accounted for 43% of the net assets of the Group. In addition, to recognise an allowance for expected credit loss for concession financial assets, management applied the simplified approach based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Given the significance of the balances and the level of judgement involved, we considered this as a key audit matter. The accounting policies and disclosures of impairment of concession financial assets are included in note 2.4 Summary of significant accounting policies — Service concession arrangements, note 3 Significant accounting judgements and estimates — Provision for expected credit losses on trade receivables, concession financial assets, contract assets and financial assets included in prepayments, other receivables and other assets and note 22 Concession financial assets to the consolidated financial statements.	Our audit procedures included, among others, understanding and testing the Group's processes and controls related to monitoring of receivables under service concession arrangements, inquiring about management's judgements involved in the assessment of impairment of concession financial assets, evaluating the adjustment for forward-looking factors and examining subsequent receipts and the debtors' historical repayment patterns to access the historical credit loss experience. In addition, we assessed the adequacy of the relevant disclosures.
Impairment of goodwill and intangible assets with indefinite useful lives	
Under HKAS 36, the Group is required to perform impairment testing of goodwill and intangible assets with indefinite useful lives at least annually. The process is highly judgemental and is based on assumptions, in particular those related to the future revenue growth rate, operating margin, perpetual growth rate and discount rate. The annual impairment test was significant to our audit because the balances of RMB2,086 million of goodwill and RMB868 million of intangible assets with indefinite useful lives as at 31 December 2019 were material to the consolidated financial statements. Given the level of judgement involved and the significance of the balances, we considered this as a key audit matter. The accounting policies and disclosures for the impairment of goodwill and intangible assets with indefinite useful lives are included in note 2.4 Summary of significant accounting policies — Business combinations and goodwill, note 2.4 Summary of significant accounting polices — Intangible assets (other than goodwill), note 3 Significant accounting judgements and estimates — Impairment of goodwill and intangible assets with indefinite useful lives, note 16 Goodwill and note 17 Other intangible assets to the consolidated financial statements.	Our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions, i.e., the perpetual growth rate and discount rate, and methodologies used by the Group, comparing the key assumptions used in the impairment test, i.e., the future revenue growth rate and operating margin, to the historical performance of the Group and management's business development plan, and reviewing the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management. We also focused on the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

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.

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.

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

- 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.

- 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, related safeguards.

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 Cheong Ming Yik.

Certified Public Accountants
Hong Kong
20 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
REVENUE	5	**5,938,095**	4,648,196
Cost of sales		**(4,370,633)**	(3,446,261)
Gross profit		**1,567,462**	1,201,935
Other income and gains	5	**123,849**	92,604
Administrative expenses		**(638,698)**	(581,739)
Other expenses		**(29,185)**	(12,774)
Finance costs	7	**(435,805)**	(310,192)
Share of profits of joint ventures		**40,919**	39,299
Share of profits of associates		**5,484**	13,135
PROFIT BEFORE TAX	6	**634,026**	442,268
Income tax expense	10	**(208,131)**	(131,623)
PROFIT FOR THE YEAR		**425,895**	310,645
Attributable to:			
Owners of the parent		**302,749**	182,733
Non-controlling interests		**123,146**	127,912
		425,895	310,645
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**RMB2.12 cents**	RMB1.28 cents
Diluted	12	**RMB2.12 cents**	RMB1.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 *RMB'000*	2018 *RMB'000*
PROFIT FOR THE YEAR	**425,895**	310,645
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 and reclassification adjustments for losses included in profit or loss during the year	**(27,333)**	—
Income tax effect	**7,653**	—
	(19,680)	—
Exchange differences:		
Exchange differences on translation of foreign operations	**(9,140)**	(16,077)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(28,820)**	(16,077)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**1,902**	(21,763)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,902**	(21,763)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(26,918)**	(37,840)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**398,977**	272,805
Attributable to:		
Owners of the parent	**264,331**	144,684
Non-controlling interests	**134,646**	128,121
	398,977	272,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**2,272,692**	2,007,895
Prepaid land lease payments	14	**100,592**	78,452
Right-of-use assets	15	**1,240,099**	—
Goodwill	16	**2,086,384**	2,050,248
Other intangible assets	17	**2,702,006**	2,087,014
Investments in joint ventures	18	**451,469**	459,102
Investments in associates	20	**104,521**	104,667
Financial assets at fair value through other comprehensive income	21	**17,918**	78,185
Deferred tax assets	37	**14,602**	6,063
Concession financial assets	22	**1,818,652**	1,532,911
Contract assets	23	**3,207,936**	2,025,678
Prepayments, other receivables and other assets	24	**61,044**	113,597
Pledged deposits	28	**38,912**	2,000
Total non-current assets		**14,116,827**	10,545,812
CURRENT ASSETS			
Inventories	25	**85,536**	49,265
Concession financial assets	22	**411,834**	302,362
Contract assets	23	**212,876**	107,225
Assets classified as held for sale	29	**9,675**	22,144
Trade receivables	26	**1,301,954**	854,136
Prepayments, other receivables and other assets	24	**866,621**	526,731
Prepaid land lease payments	14	**2,497**	1,986
Amounts due from associates	27	**60,846**	47,876
Tax recoverable		**5,356**	18,965
Pledged deposits	28	**21,829**	3,509
Time deposits	28	**—**	2,500
Cash and cash equivalents	28	**1,540,029**	2,403,522
Total current assets		**4,519,053**	4,340,221
CURRENT LIABILITIES			
Trade payables	30	**1,108,487**	785,888
Other payables and accruals	31	**455,409**	526,692
Deferred income	32	**8,758**	894
Derivative financial instruments	33	**20,134**	5,266
Interest-bearing bank and other borrowings	34	**1,221,633**	1,332,754
Lease liabilities	15	**57,748**	—
Amount due to a related party		**1,855**	1,665
Tax payable		**104,219**	70,358
Total current liabilities		**2,978,243**	2,723,517
NET CURRENT ASSETS		**1,540,810**	1,616,704
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,657,637**	12,162,516

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	32	**182,078**	88,703
Interest-bearing bank and other borrowings	34	**6,109,190**	4,501,981
Lease liabilities	15	**1,181,218**	—
Notes payable	35	**2,080,404**	2,046,726
Derivative financial instruments	33	**10,173**	522
Deferred tax liabilities	37	**629,782**	502,891
Provisions	36	**223,538**	217,775
Total non-current liabilities		**10,416,383**	7,358,598
Net assets		**5,241,254**	4,803,918
EQUITY			
Equity attributable to owners of the parent			
Issued capital	38	**1,188,219**	1,188,219
Reserves	39	**2,434,374**	2,174,143
		3,622,593	3,362,362
Non-controlling interests		**1,618,661**	1,441,556
Total equity		**5,241,254**	4,803,918

CAO GUOXIAN
Director

LI FUJING
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent									
	Issued capital RMB'000 (note 38)	Share premium RMB'000	Capital reserve RMB'000	Merger reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	1,188,219	3,972,845	9,540	(481,084)	840	(167,210)	(1,304,734)	3,218,416	1,251,566	4,469,982
Profit for the year	—	—	—	—	—	—	182,733	182,733	127,912	310,645
Other comprehensive income for the year:										
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	(21,763)	—	—	(21,763)	—	(21,763)
Exchange differences related to foreign operations	—	—	—	—	—	(16,286)	—	(16,286)	209	(16,077)
Total comprehensive income for the year	—	—	—	—	(21,763)	(16,286)	182,733	144,684	128,121	272,805
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	52,377	52,377
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	36,060	36,060
Acquisition of non-controlling interests	—	—	(738)	—	—	—	—	(738)	(9,761)	(10,499)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(16,807)	(16,807)
At 31 December 2018	1,188,219	3,972,845	8,802	(481,084)	(20,923)	(183,496)	(1,122,001)	3,362,362	1,441,556	4,803,918

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2019

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 38)	Share premium RMB'000	Capital 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	(Accumulated losses)/ Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2018	1,188,219	3,972,845	8,802	(481,084)	—	(20,923)	(183,496)	(1,122,001)	3,362,362	1,441,556	4,803,918
Effect of adoption of HKFRS 16 (note 2)	—	—	—	—	—	—	—	—	—	—	—
At 1 January 2019	1,188,219	3,972,845	8,802	(481,084)	—	(20,923)	(183,496)	(1,122,001)	3,362,362	1,441,556	4,803,918
Profit for the year	—	—	—	—	—	—	—	302,749	302,749	123,146	425,895
Other comprehensive income for the year:											
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	—	—	—	—	—	1,902	—	—	1,902	—	1,902
Cash flow hedge, net of tax	—	—	—	—	(10,037)	—	—	—	(10,037)	(9,643)	(19,680)
Exchange differences related to foreign operations	—	—	—	—	—	—	(30,283)	—	(30,283)	21,143	(9,140)
Total comprehensive income for the year	—	—	—	—	(10,037)	1,902	(30,283)	302,749	264,331	134,646	398,977
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	77,336	77,336
Acquisition of non-controlling interests	—	—	(4,100)	—	—	—	—	—	(4,100)	(7,000)	(11,100)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	—	(27,877)	(27,877)
Transfer from share premium	—	(2,302,454)	—	—	—	—	—	2,302,454	—	—	—
Transfer of fair value reserve upon the disposal of equity investments at fair value through other comprehensive income	—	—	—	—	—	20,705	—	(20,705)	—	—	—
At 31 December 2019	1,188,219	1,670,391*	4,702*	(481,084)*	(10,037)*	1,684*	(213,779)*	1,462,497*	3,622,593	1,618,661	5,241,254

* These reserve accounts comprise the consolidated reserves of RMB2,434,374,000 (31 December 2018: RMB2,174,143,000) 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 Holdings Limited ("BCG NZ"), which is under common control of the Company's ultimate controlling shareholder, and the carrying amounts of the net assets of BCG NZ acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**634,026**	442,268
Adjustments for:			
Depreciation	13	**247,029**	221,139
Recognition of prepaid land lease payments	14	**2,349**	1,599
Amortisation of other intangible assets	17	**76,561**	59,889
Depreciation of right-of-use assets	15	**49,278**	—
Gain on disposal of items of property, plant and equipment	6	**(187)**	(6,405)
Impairment of prepayments, other receivables and other assets	6	**(56,622)**	949
Impairment of trade receivables	6	**3,603**	2,649
Share of profits of joint ventures		**(40,919)**	(39,299)
Share of profits of associates		**(5,484)**	(13,135)
Interest income		**(215,173)**	(170,738)
Finance costs	7	**435,805**	310,192
Change in fair value used for measuring hedge ineffectiveness for the year		**(3,672)**	—
Dividend income from financial assets at fair value through other comprehensive income	5	**(1,972)**	(94)
(Gain)/loss on de-registration of a subsidiary		**89**	(2,411)
		1,124,711	806,603
Increase in inventories		**(36,271)**	(9,180)
Increase in concession financial assets and relevant contract assets in relation to service concession arrangements		**(1,484,771)**	(982,474)
Increase in trade receivables		**(441,188)**	(68,187)
Increase in prepayments, other receivables and other assets		**(229,738)**	(216,102)
Increase in deferred income		**101,633**	55,444
Increase in trade payables		**319,997**	385,298
Decrease in other payables and accruals		**(19,741)**	(6,716)
Decrease in provision	36	**(3,056)**	(4,186)
Cash used in operations		**(668,424)**	(39,500)
Profits tax paid		**(38,516)**	(61,895)
Net cash flows used in operating activities		**(706,940)**	(101,395)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(506,229)**	(421,110)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		**(631,121)**	(728,109)
Additions to other intangible assets		**(196)**	(66,729)
Purchase of prepaid land lease payments		**—**	(27,404)
Proceeds from disposal of items of property, plant and equipment		**4,729**	12,033
Increase in assets held for sale		**12,469**	(12,603)
Dividends received from financial assets at fair value through other comprehensive income		**1,972**	94
Dividends received from joint ventures		**56,207**	43,219
Interest received		**18,223**	42,130
Acquisition of subsidiaries		**(700)**	(124,971)
Capital injection to an associate		**(7,350)**	—
Proceeds from disposal of equity investments designated at fair value through other comprehensive income		**62,169**	—
Withdrawal of a time deposit		**2,500**	—
(Increase)/decrease in pledged deposits		**(55,232)**	8,491
Net cash flows used in investing activities		**(1,042,559)**	(1,274,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(536,802)**	(210,197)
New bank and other borrowings		**2,817,170**	1,801,557
Proceeds from issue of notes payable	35	**—**	2,045,442
Principal portion of lease payments		**(41,431)**	—
Repayment of bank and other borrowings		**(1,340,178)**	(770,497)
Dividends paid to non-controlling shareholders		**(27,877)**	(16,807)
Acquisition of non-controlling interests of subsidiaries		**(6,660)**	(10,499)
Capital contribution from non-controlling shareholders of subsidiaries		**77,336**	52,378
Net cash flows from financing activities		**941,558**	2,891,377
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(807,941)**	1,515,023
Cash and cash equivalents at beginning of year		**2,403,522**	892,790
Effect of foreign exchange rate changes, net		**(55,552)**	(4,291)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,540,029**	2,403,522
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,600,770**	2,399,031
Time deposits with original maturity of less than three months	28	**—**	10,000
Pledged deposits	28	**(60,741)**	(5,509)
Cash and cash equivalents as stated in the statement of cash flows		**1,540,029**	2,403,522

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 head office and principal place of business in Hong Kong is located at Unit 1613–1618, 16th Floor, Bank of America Tower, 12 Harcourt Road, Central.

The Company and its subsidiaries (the "Group") are 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/Mainland China	RMB209,000,000	—	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/Mainland China	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/Mainland China	RMB2,704,000,000	—	100	Provision of technical services
Duyun Kelin Environment Company Limited (都匀市科林環保有限公司)	PRC/Mainland China	RMB40,000,000	—	100	Municipal solid waste treatment
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	PRC/Mainland China	RMB21,000,000	—	100	Municipal solid waste treatment
Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited (江蘇蘇北廢舊汽車家電拆解再生利用有限公司)**	PRC/Mainland China	RMB216,000,000	—	55	Recycle and disassembly of waste electrical and electronic equipment

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
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	PRC/Mainland China	RMB20,000,000	—	90	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/Mainland China	RMB80,000,000	—	95	Recycle and disassembly of waste electrical and electronic equipment
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)**	PRC/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	RMB80,000,000	—	100	Hazardous waste treatment
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	PRC/Mainland China	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/Mainland China	RMB5,000,000	—	100	Waste collection and transportation
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/Mainland China	RMB110,000,000	—	60	Waste treatment and waste-to-energy generation
Jinzhong Capital Environment Resources Limited (晉中市首創環和環保能源有限公司)	PRC/Mainland China	RMB22,150,000	—	63.88	Kitchen 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
Xihua Capital Environment Resources Limited (西華首創環保能源有限公司)	PRC/Mainland China	RMB100,000,000	—	100	Waste treatment and waste-to-energy generation
Xihua Capital Environment Sanitation Limited (西華首創環衛有限公司)	PRC/Mainland China	RMB15,000,000	—	100	Waste collection and transportation
Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司)	PRC/Mainland China	RMB80,000,000	—	100	Hazardous waste treatment
Shicheng Capital Environment Limited (石城縣首創環保有限公司)	PRC/Mainland China	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/Mainland China	RMB100,000,000	—	100	Production and operation of factories for municipal solid waste treatment
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	RMB86,400,000	—	100	Waste treatment
Beijing Capital Environment Technology Company Limited (北京首創環境科技有限公司)***	PRC/Mainland China	RMB180,646,295	—	100	Provision of technical services
Yangzhou Capital Investment Limited (揚州首創投資有限公司)***	PRC/Mainland China	US$60,500,000	—	100	Investment holding
Shenzhen Qianhai Capital Environment Investment Limited (深圳前海首創環境投資有限公司)***	PRC/Mainland China	HK$2,200,000,000	100	—	Investment holding
Linyi Capital Environmental Hygiene Limited (臨猗首創環衛有限公司)	PRC/Mainland China	RMB7,000,000	—	100	Waste collection and transportation
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	PRC/Mainland China	RMB137,160,000	—	62.09	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
Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	RMB80,000,000	—	90	Waste treatment and waste-to-energy generation
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	RMB5,000,000	—	100	Waste sweep
Beijing Capital Solid Environment Technology Co., Ltd. (北京首拓環境科技有限公司)***	PRC/Mainland China	RMB50,000,000	100	—	Provision of technical services
Guangchang Capital Environment Co., Ltd. (廣昌縣首創環保有限公司)	PRC/Mainland China	RMB10,000,000	—	100	Waste collection and transportation
Mianyang Lubo Lubricant Co., Ltd. (綿陽路博潤滑油脂有限公司)	PRC/Mainland China	RMB51,120,000	—	55	Hazardous waste treatment
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	PRC/Mainland China	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/Mainland China	RMB66,900,000	—	100	Restoration and operation of waste accumulation sites

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
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	RMB106,920,000	—	100	Waste treatment and waste-to-energy generation
Gaoan Capital Environmental Sanitation Co., Ltd. (高安首創環衛有限公司)	PRC/Mainland China	RMB20,000,000	—	51	Waste collection and transportation
Xinxiang Capital Solid Environment Technology Co., Ltd. (新鄉市首拓環境科技有限公司)	PRC/Mainland China	RMB10,000,000	—	70	Hazardous waste treatment
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	RMB125,000,000	—	100	Waste treatment and waste-to-energy generation
Dingxi Capital Solid Environment Energy Co., Ltd. (定西首拓環保能源有限公司)	PRC/Mainland China	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/Mainland China	RMB3,000,000	—	80	Hazardous 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
Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	RMB10,000,000	—	100	Investment holding
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PRC/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	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/Mainland China	RMB118,000,000	—	100	Waste treatment and waste-to-energy generation
BCG NZ Investment Holding Limited*	Hong Kong	NZ$389,987,539	51	—	Investment holding
Beijing Capital Group NZ Investment Holding Limited*	New Zealand	NZ$209,987,539	—	51	Investment holding
Waste Management NZ Limited*	New Zealand	—	—	51	Waste management services

* Audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

(a) Adoption of HKFRS 16 *(Continued)*

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position, excluding the prepaid land lease payments which are still presented separately in the consolidated statement of financial position.

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

(a) Adoption of HKFRS 16 *(Continued)*

As a lessee — Leases previously classified as operating leases *(Continued)*

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

Financial impact at 1 January 2019

Accordingly, the Group recognised right-of-use assets of RMB284,248,000 and lease liabilities of RMB284,248,000 at 1 January 2019.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	173,204
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	2,172
Commitments relating to leases of low-value assets	475
Add: Payments for optional extension periods not recognised as at 31 December 2018	200,052
	370,609
Weighted average incremental borrowing rate as at 1 January 2019	4.058%
Discounted operating lease commitments as at 1 January 2019	284,248
Lease liabilities as at 1 January 2019	284,248

(a) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

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

(a) Adoption of HKFRS 16 *(Continued)*

Financial impact at 1 January 2019 *(Continued)*

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, and the Group concluded that the interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is 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 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

The Group's investments in associates and joint ventures are stated in the 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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*.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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 net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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.

All assets and liabilities for which fair value is measured or disclosed in the 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties *(Continued)*

(b) *(Continued)*

(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.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

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	Shorter of useful lives of 25 years and the lease terms
Plant and machinery	6.67% to 20.00%
Furniture, fixtures and equipment	10.00% to 33.33%
Motor vehicles	6.67% to 33.33%
Leasehold improvements	Shorter of useful lives of 5 years and the lease terms

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 represents a building or equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

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 2 to 30 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

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 5 years.

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.

Leases (applicable from 1 January 2019)

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 estimated useful lives of the assets and the lease terms as follows:

Buildings	1 to 91 years
Plant and machinery	1 to 52 years
Motor vehicles	1 to 5 years

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessee *(Continued)*

(a) Right-of-use assets (Continued)

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.

Prepaid land lease payments are initially recognised at the commencement date of the lease and measured at cost, less any accumulated depreciation and any impairment losses, which are the same as the above.

(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 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.

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (applicable from 1 January 2019) *(Continued)*

Group as a lessor *(Continued)*

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.

Leases (applicable before 1 January 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land premium under operating leases is initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

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 has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset under loans and receivables 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Contractual obligations to restore the infrastructure to a specified level of serviceability

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.

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.

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

Subsequent measurement

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

Financial assets at 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

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.

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, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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 SUMMARY OF SIGNIFICANT 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

The Group considers a financial asset in default when contractual payments are 90 days past due in New Zealand and one year past due in the PRC. 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, concession financial assets 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, an amount due to a related party, derivative financial instruments, notes payable and interest-bearing bank and other borrowings.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of commodity purchase contracts that meet the definition of a derivative as defined by HKFRS 9 is recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in the statement of profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognised in the statement of profit or loss.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is 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 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.

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

- 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 SUMMARY OF SIGNIFICANT 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, the carryforward of unused tax credits and unused tax losses can be utilised, except:

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only 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, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 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 industrial products..

(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.

(c) *Provision of waste management services*

Revenue from the provision of waste management services is recognised at the point in time upon completion of services.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

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

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

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 pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT 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 the PRC 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, the PRC 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. 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 consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in RMB and the Company's functional currency is United Stated dollars ("US$"). 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).

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 weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of 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 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 financial statements:

Service concession arrangements

The Group 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 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 Grantors, profitability of the head contracts of the Grantors and the current economic conditions.

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 Mainland China. The directors determine that it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

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

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.

Impairment of goodwill and intangible assets with indefinite useful lives

The Group determines whether goodwill and intangible assets with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets with indefinite useful lives are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment of goodwill recognised for the year ended 31 December 2019 was nil (2018: nil). No impairment of intangible assets with indefinite useful lives was recognised for the years ended 31 December 2019 and 2018. Further details are given in note 16 and note 17.

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, concession financial assets, and contract assets. 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 prepayment, 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 trade receivables, concession financial assets, contract assets and other receivables is disclosed in note 26, note 22, note 23 and note 24 to the consolidated financial statements, respectively.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill and intangible assets with indefinite useful lives)

The Group assesses whether there are any indicators of impairment for all non-financial assets (other than goodwill and intangible assets with indefinite useful lives) at the end of each reporting period. Other 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 years ended 31 December 2019 and 2018, there was no impairment recognised in profit or loss for non-financial assets (other than goodwill and intangible assets with indefinite useful lives).

Percentage of completion of construction work

The Group recognises revenue according to the percentage of completion 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, an impairment loss may arise.

Current income tax and deferred income tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is required to determine the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current income tax and deferred income tax provisions in the periods in which the differences arise.

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 2019 was approximately RMB14,602,000 (2018: RMB6,063,000).

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

Estimation uncertainty *(Continued)*

Estimated useful lives and residual values of fixed assets and other intangible assets

Property, plant and equipment and other intangible assets are stated at cost less subsequent accumulated depreciation or amortisation and accumulated impairment losses. The estimation of their useful lives impacts the level of annual depreciation or amortisation expenses recorded.

If there is any indication of impairment, determining the extent to which property, plant and equipment and other intangible assets are impaired requires an estimation of the value in use of cash-generating units ("CGU") to which they have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 December 2019, the carrying amounts of property, plant and equipment and other intangible assets were RMB2,272,692,000 and RMB2,702,006,000 (2018: RMB2,007,895,000 and RMB2,087,014,000), respectively.

Provisions for site restoration

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. Management estimates the present value of the future cash flows expected to be incurred, which increases in each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in the statement of profit or loss as a time value adjustment. Management will re-evaluate the estimate at the end of each reporting period.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the statement of financial position. As at 31 December 2019, the carrying amount of provision for site restoration was RMB223,538,000 (2018: RMB217,775,000).

4. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit before tax from operations.

The Group has two reportable segments, being (a) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in New Zealand.

Year ended 31 December 2019	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	3,567,224	2,370,871	5,938,095
Revenue from operations			5,938,095
Segment results	245,709	180,186	425,895
Other segment information:			
Share of profits of joint ventures	—	40,919	40,919
Share of profits of associates	5,484	—	5,484
Impairment losses recognised in the statement of profit or loss	4,869	221	5,090
Impairment losses reversed in the statement of profit or loss	(58,109)	—	(58,109)
Depreciation and amortisation	63,554	311,663	375,217
Investments in joint ventures	—	451,469	451,469
Investments in associates	104,521	—	104,521
Capital expenditure (note)	125,859	380,717	506,576
31 December 2019			
Segment assets	11,158,045	7,477,835	18,635,880
Segment liabilities	8,310,119	5,084,507	13,394,626

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2018	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	2,337,831	2,310,365	4,648,196
Revenue from operations			4,648,196
Segment results	122,310	188,335	310,645
Other segment information:			
Share of profits of joint ventures	—	39,299	39,299
Share of profits of associates	13,135	—	13,135
Impairment losses recognised in the statement of profit or loss	2,468	3,472	5,940
Impairment losses reversed in the statement of profit or loss	(2,342)	—	(2,342)
Depreciation and amortisation	27,054	255,573	282,627
Investments in joint ventures	—	459,102	459,102
Investments in associates	104,667	—	104,667
Capital expenditure (note)	154,681	279,374	434,055
31 December 2018			
Segment assets	8,728,704	6,157,329	14,886,033
Segment liabilities	6,171,347	3,910,768	10,082,115

Note: Capital expenditure consists of additions to property, plant and equipment.

Information about a major customer

No revenue derived from an individual customer of the Group amounted to 10% or more of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2019 RMB'000	2018 RMB'000
Revenue from contracts with customers		
Construction services under service concession arrangements	**2,318,307**	1,632,096
Operation services under service concession arrangements	**451,804**	230,231
Electronic appliance dismantling	**442,189**	284,229
Waste collection services	**1,521,144**	1,488,503
Waste landfill services	**493,746**	468,827
Recycling	**107,953**	105,520
Technical services	**243,580**	236,344
Others	**173,985**	73,973
Total revenue from contracts with customers	**5,752,708**	4,519,723
Effective interest income on concession financial assets	**185,387**	128,473
Total revenue	**5,938,095**	4,648,196

Revenue from contracts with customers

(i) Disaggregated revenue

Geographical markets

The Group's revenue is mainly derived from the PRC and New Zealand markets. The revenue from the PRC market amounting to RMB3,567,224,000 (2018: RMB2,337,831,000) was derived from construction services under service concession arrangements, operation services under service concession arrangements, effective interest income on concession financial assets, electronic appliance dismantling services, and others. The revenue from the New Zealand market amounting to RMB2,370,871,000 (2018: RMB2,310,365,000) was derived from waste collection service, waste landfill services, recycling, technical services and others.

(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 arrangement.

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 arrangement.

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

Revenue from contracts with customers *(Continued)*

(ii) Performance obligations *(Continued)*

Electronic appliance dismantling

Revenue from electronic appliance dismantling is derived from two performance obligations: sale of dismantled parts which is satisfied upon delivery and payment in advance is normally required; and rendering of dismantling services to the PRC government which is satisfied over time as the services are rendered and payment is generally due around 2 to 3 years from the completion of dismantling. The Group has considered the effect of the significant financing component on the transaction price.

Waste collection, landfill and technical services

The performance obligation is satisfied once the promised service is rendered to a customer, and payment in advance for waste collection is normally required and payment for landfill and technical services is generally due within 50 days as the term of agreements.

Recycling

The performance obligation is satisfied at the point in time when a promised good or service is transferred to a customer and payment is generally due within 50 days upon the transfer.

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

	2019 RMB'000	2018 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	3,360,116	2,505,233
After one year	23,138,962	13,639,489
	26,499,078	16,144,722

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. 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.

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

	2019 *RMB'000*	2018 *RMB'000*
Other income and gains		
Bank interest income	**6,836**	4,662
Other interest income	**22,950**	37,603
Dividend income from financial assets at fair value through other comprehensive income	**1,972**	94
Gain on de-registration of a subsidiary	**—**	2,411
Gain on disposal of investment in an associate	**—**	10,103
Gain on disposal of items of property, plant and equipment	**187**	6,405
Government grants	**27,185**	21,227
Refund of written-off trade receivables	**—**	4,428
Reversal of impairment of trade receivables	**—**	1,091
Reversal of impairment of prepayments, other receivables and other assets	**56,622**	1,251
Foreign exchange gains	**361**	156
Fair value adjustment of contingent consideration	**4,551**	—
Others	**3,185**	3,173
	123,849	92,604

6. PROFIT BEFORE TAX

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

	2019 *RMB'000*	2018 *RMB'000*
Cost of services rendered for service concession arrangements	**2,449,848**	1,667,062
Cost of services provided	**1,617,108**	1,479,578
Cost of inventories sold	**303,677**	299,621
Depreciation*		
— Property, plant and equipment	**247,029**	221,139
— Right-of-use assets	**49,278**	—
Amortisation*		
— Prepaid land lease payments	**2,349**	1,599
— Other intangible assets	**76,561**	59,889
Minimum lease payments under operating leases*	**—**	86,156
Lease payments not included in the measurement of lease liabilities*	**35,141**	—
Auditor's remuneration		
— Audit services	**4,356**	4,280
— Non-audit services	**2,337**	2,646
Employee benefit expense (excluding directors' emoluments (note 8)):		
Wages and salaries	**314,426**	264,197
Pension scheme contributions	**29,511**	26,166
Foreign exchange differences, net	**9,863**	19,114
Impairment of financial and contract assets, net:		
Impairment of trade receivables	**3,603**	2,649
Impairment of financial assets included in prepayments, other receivables and other assets, net	**(56,622)**	949
Gain on disposal of items of property, plant and equipment	**(187)**	(6,405)
Loss on derivative financial instruments	**23,663**	—

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

7. FINANCE COSTS

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank and other borrowings	**280,627**	261,765
Interest on notes payable (note 35)	**126,652**	34,765
Interest on lease liabilities (note 15)	**13,684**	—
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	**4,551**	4,874
Others	**10,291**	8,788
	435,805	310,192

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:

	2019 *RMB'000*	2018 *RMB'000*
Fees	**831**	792
Other emoluments:		
Salaries, allowances and benefits in kind	**2,959**	3,645
Pension scheme contributions	**—**	—
	2,959	3,645
	3,790	4,437

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or compensation for loss of office (2018: nil).

(a) Independent non-executive directors

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

	2019 *RMB'000*	2018 *RMB'000*
Mr. Pao Ping Wing	**277**	264
Mr. Cheng Kai Tai, Allen	**277**	264
Dr. Chan Yee Wah, Eva	**277**	264
	831	792

8. DIRECTORS' EMOLUMENTS *(Continued)*

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

2019	**Fees** *RMB'000*	**Salaries, allowances and benefits in kind** *RMB'000*	**Equity-settled share option expense** *RMB'000*	**Pension scheme contributions** *RMB'000*	**Total** *RMB'000*
Mr. Cao Guoxian^	—	1,623	—	—	1,623
Mr. Li Fujing***	—	64	—	—	64
Ms. Zhang Meng**	—	—	—	—	—
Ms. Hao Chunmei	—	—	—	—	—
Mr. Cheng Jialin	—	1,272	—	—	1,272
	—	2,959	—	—	2,959

2018	Fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Equity-settled share option expense *RMB'000*	Pension scheme contributions *RMB'000*	Total *RMB'000*
Mr. Wu Lishun*	—	—	—	—	—
Mr. Cao Guoxian^	—	2,181	—	—	2,181
Mr. Liu Yongzheng*	—	—	—	—	—
Ms. Zhang Meng**	—	—	—	—	—
Ms. Hao Chunmei	—	—	—	—	—
Mr. Cheng Jialin	—	1,464	—	—	1,464
	—	3,645	—	—	3,645

* Mr. Wu Lishun and Mr. Liu Yongzheng resigned as executive directors of the Company on 20 April 2018.

** Ms. Zhang Meng resigned as the chairlady and executive director of the Company on 25 November 2019.

*** Mr. Li Fujing was appointed as the chief executive officer of the Company on 25 November 2019.

^ Mr. Cao Guoxian was redesignated as the chairman of the Company on 25 November 2019.

During the year ended 31 December 2019, 1 director (2018: 4 directors) waived emolument of RMB343,290 (2018: RMB1,495,000, RMB670,000, RMB223,000, and RMB112,000, respectively).

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 (2018: five) highest paid employees are as follows:

	2019	2018
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**9,885**	9,397
Performance related bonuses	**5,609**	10,121
Pension scheme contributions	**465**	586
	15,959	20,104

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

	Number of employees	
	2019	2018
HK$2,500,001 to HK$3,000,000	**3**	—
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**—**	2
HK$4,000,001 to HK$4,500,000	**—**	1
HK$4,500,001 to HK$5,000,000	**—**	—
HK$5,000,001 to HK$5,500,000	**—**	—
HK$5,500,001 to HK$6,000,000	**—**	—
HK$6,000,001 to HK$6,500,000	**—**	—
HK$6,500,001 to HK$7,000,000	**1**	1
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax was calculated at 10% (2018: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

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. Twenty-nine (2018: Twenty-two) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Twenty-two (2018: Sixteen) were exempted from PRC income taxes, whereas another three (2018: three) were entitled to a preferential tax of 12.5%, and another four (2018: three) were entitled to preferential tax rates of 5%, 7.5%, 10% and 15%, respectively, for the year.

New Zealand profits tax has been provided at the rate of 28% (2018: 28%) on the estimated assessable profits arising in New Zealand during the year.

10. INCOME TAX *(Continued)*

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

According to PRC tax regulations, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At 31 December 2019, 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 the PRC (2018: nil). 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 Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB766,404,000 (2018: RMB352,418,000).

	2019 ***RMB'000***	2018 *RMB'000*
Current — Hong Kong		
Charge for the year	**25,840**	25,047
Current — the PRC		
Charge for the year	**37,511**	22,631
Underprovision in prior years	**335**	1,470
Current — New Zealand		
Charge for the year	**23,680**	26,916
Underprovision in prior years	**878**	1,838
Deferred (note 37)	**119,887**	53,721
Total tax charge for the year	**208,131**	131,623

10. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory 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:

2019	Hong Kong *RMB'000*	*%*	Mainland China *RMB'000*	*%*	New Zealand *RMB'000*	*%*	Total *RMB'000*	*%*
Profit before tax	**(32,211)**		**584,283**		**81,954**		**634,026**	
Tax at the statutory tax rate	**(5,315)**	**16.5**	**146,071**	**25.0**	**22,947**	**28.0**	**163,703**	**25.8**
Tax holiday or lower tax rates enacted by local authorities	**—**	**—**	**(25,890)**	**(4.4)**	**—**	**—**	**(25,890)**	**(4.1)**
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	**25,840**	**(80.2)**	**—**	**—**	**—**	**—**	**25,840**	**4.1**
Expenses not deductible for tax	**23,683**	**(73.5)**	**11,273**	**1.9**	**2,717**	**3.3**	**37,673**	**5.9**
Income not subject to tax	**(42,244)**	**131.1**	**(341)**	**(0.1)**	**(6)**	**—**	**(42,591)**	**(6.7)**
Utilisation of tax losses not recognised in prior years	**—**	**—**	**(11,953)**	**(2.0)**	**—**	**—**	**(11,953)**	**(1.9)**
Profit attributable to joint ventures and associates*	**—**	**—**	**(1,371)**	**(0.2)**	**(11,457)**	**(14.0)**	**(12,828)**	**(2.0)**
Tax losses not recognised	**23,876**	**(74.1)**	**49,088**	**8.4**	**—**	**—**	**72,964**	**11.5**
Underprovision in prior years	**—**	**—**	**335**	**0.1**	**878**	**1.1**	**1,213**	**0.2**
Tax charge at the Group's effective rate	**25,840**	**(80.2)**	**167,212**	**28.6**	**15,079**	**18.4**	**208,131**	**32.8**
2018								
Profit before tax	71,912		305,323		65,033		442,268	
Tax at the statutory tax rate	11,865	16.5	76,331	25.0	18,209	28.0	106,405	24.1
Tax holiday or lower tax rates enacted by local authorities	—	—	(16,506)	(5.4)	—	—	(16,506)	(3.7)
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	25,047	34.8	—	—	—	—	25,047	5.7
Expenses not deductible for tax	23,392	32.5	5,932	1.9	13,008	20.0	42,332	9.6
Income not subject to tax	(50,982)	(70.9)	(7,010)	(2.3)	—	—	(57,992)	(13.1)
Utilisation of tax losses not recognised in prior years	—	—	(2,201)	(0.7)	—	—	(2,201)	(0.5)
Profit attributable to joint ventures and associates*	—	—	(3,284)	(1.1)	(11,004)	(16.9)	(14,288)	(3.2)
Tax losses not recognised	15,725	21.9	29,793	9.8	—	—	45,518	10.3
Underprovision in prior years	—	—	1,470	0.5	1,838	2.8	3,308	0.7
Tax charge at the Group's effective rate	25,047	34.8	84,525	27.7	22,051	33.9	131,623	29.8

* The share of tax attributable to joint ventures and associates amounting to RMB17,741,000 (2018: RMB19,661,000) is included in "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividend was paid or proposed by the Company during 2019, nor has any dividend been proposed by the Company since the end of the reporting period (2018: nil).

12. 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 (2018: 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 2019 and 2018.

The calculation of basic earnings per share is based on:

	2019 ***RMB'000***	2018 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**302,749**	182,733

	Number of shares	
	2019	2018
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Landfill development RMB'000	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 2019								
At 31 December 2018 and at 1 January 2019								
Cost	168,761	485,712	179,371	853,223	553,662	69,084	516,682	2,826,495
Accumulated depreciation	—	(168,993)	(56,049)	(354,036)	(221,771)	(17,751)	—	(818,600)
Net carrying amount	168,761	316,719	123,322	499,187	331,891	51,333	516,682	2,007,895
At 1 January 2019, net of accumulated depreciation	168,761	316,719	123,322	499,187	331,891	51,333	516,682	2,007,895
Additions	—	347	202	28,057	11,354	582	466,034	506,576
Disposals	—	—	(123)	(1,463)	(2,954)	(3)	—	(4,543)
Depreciation provided during the year	—	(41,456)	(15,530)	(118,743)	(65,283)	(6,017)	—	(247,029)
Transfers	7,236	38,383	84,041	247,331	101,299	2,177	(505,467)	(25,000)
Exchange realignment	3,224	5,530	923	9,917	6,879	771	7,549	34,793
At 31 December 2019, net of accumulated depreciation	179,221	319,523	192,835	664,286	383,186	48,843	484,798	2,272,692
At 31 December 2019:								
Cost	179,221	534,291	265,212	1,117,064	646,926	73,862	484,798	3,301,374
Accumulated depreciation	—	(214,768)	(72,377)	(452,778)	(263,740)	(25,019)	—	(1,028,682)
Net carrying amount	179,221	319,523	192,835	664,286	383,186	48,843	484,798	2,272,692
31 December 2018								
At 31 December 2017 and at 1 January 2018								
Cost	168,839	442,941	179,574	746,602	472,696	53,473	354,627	2,418,752
Accumulated depreciation	—	(124,569)	(46,811)	(286,161)	(161,705)	(9,424)	—	(628,670)
Net carrying amount	168,839	318,372	132,763	460,441	310,991	44,049	354,627	1,790,082
At 1 January 2018, net of accumulated depreciation	168,839	318,372	132,763	460,441	310,991	44,049	354,627	1,790,082
Additions	—	12,945	1,894	16,100	4,145	91	398,880	434,055
Disposals	—	—	(428)	(352)	(4,848)	—	—	(5,628)
Acquisition of subsidiaries	—	—	340	233	1	—	10,070	10,644
Depreciation provided during the year	—	(44,086)	(12,595)	(96,834)	(62,169)	(5,455)	—	(221,139)
Transfers	—	29,646	1,449	119,535	83,713	12,602	(246,945)	—
Exchange realignment	(78)	(158)	(101)	64	58	46	50	(119)
At 31 December 2018, net of accumulated depreciation	168,761	316,719	123,322	499,187	331,891	51,333	516,682	2,007,895
At 31 December 2018								
Cost	168,761	485,712	179,371	853,223	553,662	69,084	516,682	2,826,495
Accumulated depreciation	—	(168,993)	(56,049)	(354,036)	(221,771)	(17,751)	—	(818,600)
Net carrying amount	168,761	316,719	123,322	499,187	331,891	51,333	516,682	2,007,895

The Group has pledged buildings with a net book value of RMB34,082,000 (2018: RMB40,831,000) to secure the borrowings granted to the Group.

14. PREPAID LAND LEASE PAYMENTS

	2019 *RMB'000*	2018 *RMB'000*
Carrying amount at 1 January	**80,438**	50,575
Acquisition of a subsidiary	**—**	4,058
Addition	**25,000**	27,404
Recognised during the year	**(2,349)**	(1,599)
Carrying amount at 31 December	**103,089**	80,438
Current portion	**(2,497)**	(1,986)
Non-current portion	**100,592**	78,452

The amounts represent land use rights located in the PRC and are released to profit or loss over the term of the relevant rights of 50 years. The Group has pledged prepaid lease payments with a net book value of RMB46,725,000 (2018: RMB49,219,000) to secure the borrowings granted to the Group.

15. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, plant and machinery and motor vehicles. Leases of buildings have lease terms between 1 and 91 years. Leases of plant and machinery generally have lease terms between 1 and 52 years, while motor vehicles generally have lease terms between 1 and 5 years. Other equipments and buildings generally have 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 the movements during the year are as follows:

	Buildings *RMB'000*	**Plant and machinery** *RMB'000*	**Motor vehicles** *RMB'000*	**Total** *RMB'000*
As at 1 January 2019	274,643	133	9,472	284,248
Additions	962,947	897	12,342	976,186
Depreciation charge	(43,391)	(208)	(5,679)	(49,278)
Others	(5,354)	—	(135)	(5,489)
Exchange difference	34,032	24	376	34,432
As at 31 December 2019	1,222,877	846	16,376	1,240,099

15. LEASES *(Continued)*

(b) Lease liabilities

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

	2019 *RMB'000*
Carrying amount at 1 January	**284,248**
New leases	**967,334**
Accretion of interest recognised during the year	**13,684**
Payments	**(55,115)**
Exchange difference	**28,815**
Carrying amount at 31 December	**1,238,966**
Analysed into:	
Current portion	**57,748**
Non-current portion	**1,181,218**

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

	2019 *RMB'000*
Interest on lease liabilities	**13,684**
Depreciation charge of right-of-use assets	**49,278**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**28,043**
Expense relating to leases of low-value assets	**4,393**
Variable lease payments not included in the measurement of lease liabilities	**2,705**
Total amount recognised in profit or loss	**98,103**

16. GOODWILL

	RMB'000
Cost at 1 January 2018, net of accumulated impairment	2,044,408
Acquisition of a subsidiary	6,766
Exchange realignment	(926)
Cost and net carrying amount at 31 December 2018	2,050,248
At 31 December 2018:	
Cost	2,956,812
Accumulated impairment	(906,564)
Net carrying amount	2,050,248
Cost at 1 January 2019, net of accumulated impairment	**2,050,248**
Exchange realignment	**36,136**
Cost and net carrying amount at 31 December 2019	**2,086,384**
At 31 December 2019:	
Cost	**2,992,948**
Accumulated impairment	**(906,564)**
Net carrying amount	**2,086,384**

Impairment testing of goodwill

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

- BCG NZ Group, which principally engages in the waste treatment and waste-to-energy business in New Zealand;
- 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 recycle and waste treatment business in Mainland China; and
- Mianyang Lubo Lubricant Co., Ltd (綿陽路博潤滑油脂有限公司, "Mianyang Lubo"), which principally engages in the hazardous waste treatment business in Mainland China.

BCG NZ Group

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 a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 8.66% (2018: 9.08%). The perpetual growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 2.5% (2018: 2.5%).

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 17.5% (2018: 12.5%).

Mianyang Lubo

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 a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 17.5% (2018: 17.5%). The perpetual growth rate used to extrapolate the cash flows of the cash-generating unit beyond the five-year period is 2.83%.

Sensitivity analysis on key assumptions is performed annually. In the opinion of the Company's directors, the Group is not aware of any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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

	2019	2018
	RMB'000	*RMB'000*
BCG NZ Group	**2,073,563**	2,037,427
Zhejiang Zhuoshang	**6,055**	6,055
Mianyang Lubo	**6,766**	6,766
	2,086,384	2,050,248

Assumptions were used in the value-in-use calculation of the cash-generating units for 31 December 2019 and 31 December 2018. 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 BCG NZ, the future revenue growth rates are based on the projected volume and unit price of waste treatment in New Zealand, taking into consideration of pricing policy change. 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. In respect of the revenue of Mianyang Lubo, the future revenue growth rates are based on the projected volume and unit price of waste treatment services, taking into consideration the processing capacity.

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.

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

16. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Perpetual growth rates — The Group determines the perpetual growth rates which shall not exceed the long-term average gross growth rates of the relevant markets in New Zealand and Mainland China.

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	Service concession arrangements	Licenses and franchises	Trade names and trademarks	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019						
Cost at 1 January 2019, net of accumulated amortisation	**107,131**	**699,842**	**468,554**	**722,029**	**89,458**	**2,087,014**
Additions	**—**	**9,598**	**—**	**—**	**196**	**9,794**
Transfer from contract assets	**—**	**658,954**	**—**	**—**	**—**	**658,954**
Amortisation provided during the year	**(10,987)**	**(20,880)**	**(34,429)**	**—**	**(10,265)**	**(76,561)**
Exchange realignment	**1,549**	**(7)**	**7,208**	**12,806**	**1,249**	**22,805**
At 31 December 2019	**97,693**	**1,347,507**	**441,333**	**734,835**	**80,638**	**2,702,006**
At 31 December 2019:						
Cost	**157,390**	**1,383,479**	**622,034**	**734,835**	**104,253**	**3,001,991**
Accumulated amortisation	**(59,697)**	**(35,972)**	**(180,701)**	**—**	**(23,615)**	**(299,985)**
Net carrying amount	**97,693**	**1,347,507**	**441,333**	**734,835**	**80,638**	**2,702,006**
31 December 2018						
Cost at 1 January 2018 net of accumulated amortisation	118,324	173,484	501,509	722,357	28,655	1,544,329
Additions	—	—	—	—	66,729	66,729
Transfer from contract assets	—	516,772	—	—	—	516,772
Acquisition of subsidiaries	—	19,555	—	—	—	19,555
Amortisation provided during the year	(11,041)	(9,940)	(32,458)	—	(6,450)	(59,889)
Exchange realignment	(152)	(29)	(497)	(328)	524	(482)
At 31 December 2018	107,131	699,842	468,554	722,029	89,458	2,087,014
At 31 December 2018:						
Cost	154,647	715,071	611,473	722,029	102,262	2,305,482
Accumulated amortisation	(47,516)	(15,229)	(142,919)	—	(12,804)	(218,468)
Net carrying amount	107,131	699,842	468,554	722,029	89,458	2,087,014

17. OTHER INTANGIBLE ASSETS *(Continued)*

As at 31 December 2019, 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	Electricity generation	Balance as at 31 December 2019 RMB'000	Balance as at 31 December 2018 RMB'000
Beijing Shoujian Environment Protection Company Limited (北京首建環保有限責任公司)	Beijing Construction Waste Treatment Project (北京朝陽區建築廢棄物資源化項目)	Beijing	Beijing Environmental and Hygiene Control Authority (北京朝陽區市政市容管理委員會)	15 years after obtaining the approval for commercial operation	3,370 tonnes	N/A	305,625	—
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司) (note)	Ningbo World Bank Loan Kitchen Waste Treatment Plant (寧波市世行貸款處於垃圾處理廠)	Ningbo, Zhejiang	Ningbo City Administration (寧波市城市管理局)	20 years after obtaining the approval for commercial operation	800 tonnes	N/A	257,617	—
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	N/A	188,202	179,326
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) (note)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	166,579	172,023
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	Yangzhou Kitchen Waste Treatment Plant (揚州廚餘垃圾處理廠)	Yangzhou, Jiangsu	Yangzhou City Administration (揚州市城市管理局)	28 years after obtaining the approval for operation	200 tonnes	N/A	156,738	163,885
Duyun Capital Environment Company Limited (都匀市首創環保有限公司) (note)	Duyun Solid Waste Incineration Power Generation Plant (都匀市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都匀市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	104,176	111,916
Others							168,570	72,692
							1,347,507	699,842

Note: Ningbo Capital Environment Kitchen Waste Treatment Company Limited, Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited and Duyun Capital Environment Company Limited, as operators, were paid for their construction services partly by a financial asset and partly by an intangible asset. Therefore, concession financial assets were also recognised for both operators. Other subsidiaries listed above were paid for their services by an intangible asset.

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 plants 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 22.

The breakdown of the intangible assets with indefinite useful lives is as follows:

	BCG NZ Group	
	2019	2018
	RMB'000	*RMB'000*
Licenses and franchises	**133,336**	131,012
Trade names and trademarks	**734,835**	722,029
	868,171	853,041

The trade name of "Waste Management" and other trademarks and licenses issued by the local government in relation to operate various transfer stations in New Zealand are expected to be used for the foreseeable future. In the opinion of the directors of the Company, they are capable of being renewed indefinitely at insignificant cost and are classified as intangible assets with indefinite useful lives by the Group in accordance with *HKAS 38 Intangible Assets*.

For the purposes of impairment testing, the carrying amounts of goodwill and the intangible assets with indefinite useful lives of BCG NZ Group are allocated to the individual cash-generating unit, i.e., BCG NZ Group. The key assumptions used in the impairment test of the intangible assets with indefinite useful lives are given in note 16.

18. INVESTMENTS IN JOINT VENTURES

	2019 *RMB'000*	2018 *RMB'000*
Share of net assets	**286,811**	297,313
Goodwill on acquisition	**164,658**	161,789
	451,469	459,102

The Group's receivable and payable balances with the joint ventures are disclosed in note 45 to the consolidated financial statements.

Particulars of the Group's joint ventures are as follows:

Name	**Particulars of issued shares held**	**Place and date of incorporation**	**Percentage of ownership interest**	**Principal activities**
Midwest Disposals Limited ("Midwest Disposals")	NZ$1,300,000	New Zealand 18 August 2000	50%	Waste management
Pikes Point Transfer Station Limited ("Pikes Point Transfer Station")	NZ$2,685,000	New Zealand 24 March 1993	50%	Waste transfer station
Transwaste Canterbury Limited ("Transwaste")	NZ$16,000,000	New Zealand 31 March 1999	50%	Waste collection and landfill
Daniels Sharpsmart New Zealand Limited	NZ$200	New Zealand 4 November 2002	50%	Component cleaning

Transwaste, which is considered a material joint venture of the Group, is accounted for using the equity method.

18. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the summarised financial information in respect of Transwaste adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019	2018
	RMB'000	*RMB'000*
Cash and cash equivalents	**79,747**	85,719
Other current assets	**47,465**	80,210
Current assets	**127,212**	165,929
Non-current assets, excluding goodwill	**521,125**	484,213
Goodwill on acquisition of the joint venture	**122,563**	120,426
Current liabilities	**(197,788)**	(156,729)
Non-current liabilities	**(12,976)**	(16,616)
Net assets, excluding goodwill	**437,573**	476,797
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets of the joint venture, excluding goodwill	**218,787**	238,399
Goodwill on acquisition	**122,563**	120,426
Carrying amount of the investment	**341,350**	358,825

Financial information of the Group's share of the joint ventures is as follows:

Revenue	**95,850**	97,977
Interest income	**1,280**	1,567
Depreciation and amortisation	**(16,077)**	(16,387)
Interest expenses	**(626)**	(743)
Tax	**(9,982)**	(11,544)
Profit for the year	**26,278**	26,594
Other comprehensive income	**5,627**	(276)
Dividend received	**49,380**	38,646

18. INVESTMENTS IN JOINT VENTURES *(Continued)*

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2019	2018
	RMB'000	*RMB'000*
Share of the joint ventures' profit for the year	**14,641**	12,705
Share of the joint ventures' other comprehensive income	**2,028**	954
Share of the joint ventures' total comprehensive income	**16,669**	13,659
Aggregate carrying amount of the Group's investments in the joint ventures	**110,119**	100,277

19. INVESTMENT IN A JOINT OPERATION

Name	**Place of incorporation**	**Ownership interest attributable to the Group as at**		**Principal activity**
		31 December 2019	31 December 2018	
Waste Disposal Services	New Zealand	**50%**	50%	Waste collection and landfill

The Group has a 50% interest in Waste Disposal Services, an unincorporated joint operation with the Auckland City Council. According to the joint operation agreement, the Group accounts for its joint operation by including the share of revenues, expenses, assets and liabilities of Waste Disposal Services in its own financial statements. Waste Disposal Services operates a landfill and refuse station in South Auckland.

19. INVESTMENT IN A JOINT OPERATION *(Continued)*

The Group's share of material assets and liabilities of Waste Disposal Services is as follows:

	2019	2018
	RMB'000	*RMB'000*
Current assets	**10,107**	25,674
Non-current assets	**89,123**	90,373
Total assets	**99,230**	116,047
Current liabilities	**(4,981)**	(16,628)
Non-current liabilities	**(32,669)**	(34,197)
Total liabilities	**(37,650)**	(50,825)
Net assets shared by the Group	**61,580**	65,222

	2019	2018
	RMB'000	*RMB'000*
Share of the joint operation's revenue	**46,383**	98,828
Share of the joint operation's expenses	**(25,906)**	(79,971)
Share of the joint operation's profit before tax	**20,477**	18,857
Cash received	**22,756**	20,581

The Group's receivables due from and payables due to the other operator of Waste Disposal Services are disclosed in note 26 and note 30 to the consolidated financial statements, respectively.

20. INVESTMENTS IN ASSOCIATES

	2019 *RMB'000*	2018 *RMB'000*
Share of net assets	**104,521**	104,667

The loans from associates included in the Group's current liabilities were nil (2018: nil).

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司, "SZ Guangye")	RMB75,000,000	PRC/Mainland China	46	Waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis
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/Mainland China	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/Mainland China	49	Eco-protection and environmental governance

Xiongan Pioneer was newly established in May 2019. The Group's shareholdings in the associates all comprise equity shares held through a wholly-owned subsidiary of the Company.

20. INVESTMENTS IN ASSOCIATES *(Continued)*

SZ Guangye, which is considered a material associate of the Group, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of SZ Guangye adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2019	2018
	RMB'000	*RMB'000*
Current assets	**67,114**	52,039
Non-current assets, excluding goodwill	**274,041**	281,506
Current liabilities	**(122,403)**	(92,338)
Non-current liabilities	**(10,598)**	(15,552)
Net assets, excluding goodwill	**208,154**	225,655
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**46%**	46%
Group's share of net assets of the associate, excluding goodwill	**95,751**	103,801
Carrying amount of the investment	**95,751**	103,801

Financial information of the Group's share of the associates is as follows:

Revenue	**32,875**	39,355
Profit for the year	**4,930**	13,275
Total comprehensive income for the year	**4,930**	13,275

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019	2018
	RMB'000	*RMB'000*
Share of the associates' profit/(loss) for the year	**554**	(140)
Share of the associates' total comprehensive income	**554**	(140)
Aggregate carrying amount of the Group's investments in the associates	**8,770**	866

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 RMB'000	2018 RMB'000
Listed securities, at fair value		
— equity securities listed in HK	—	59,183
Unlisted equity investments, at fair value		
— 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")	**17,918**	19,002
	17,918	78,185

The Group sold its equity securities as this investment no longer coincided with the Group's investment strategy. The aggregate fair value on the date of sale was RMB62,169,000 and the accumulated losses recognised in other comprehensive income of RMB20,705,000 were transferred to retained earnings.

22. CONCESSION FINANCIAL ASSETS

	2019 RMB'000	2018 RMB'000
Analysed for reporting purposes as:		
Current assets	**411,834**	302,362
Non-current assets	**1,818,652**	1,532,911
	2,230,486	1,835,273

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a BOT, TOT or BOO basis, plus the attributable profits on the services provided.

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.56% for the year ended 31 December 2019.

Service concession arrangements with certain government authorities 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.

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.

The Group recognised revenue from construction services of RMB2,318,307,000 (2018: RMB1,632,096,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB451,804,000 (2018: RMB230,231,000) for all the service concession arrangements of the Group (note 5). The gross profits recognised from construction services amounted to RMB365,772,000 (2018: RMB175,225,000) and the gross profits recognised from operation services amounted to RMB118,165,000 (2018: RMB89,664,000) for all the service concession arrangements of the Group.

22. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2019, 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	Electricity generation	Balance as at 31 December 2019 *RMB'000*	Balance as at 31 December 2018 *RMB'000*
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	131 million kWh	566,066	563,657
Duyun Capital Environment Company Limited (都匀市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都匀市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都匀市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	375,151	355,658
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	Suixian Solid Waste Incineration Power Generation Project (睢縣生活垃圾焚燒發電項目)	Suixian, Henan	Suixian Urban Management and Law Enforcement (睢縣城市管理行政執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	61 million kWh	268,257	—
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	Garbage Collection, Transport and Processing Project for Xichuan, Xixia and Neixiang (淅川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目)	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	724 tonnes	N/A	227,160	256,807
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)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	131,783	133,417
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司)	Ningbo World Bank Loan Kitchen Waste Treatment Plant (寧波市世行貸款廚餘垃圾處理廠)	Ningbo, Zhejiang	Ningbo City Administration (寧波市城市管理局)	20 years after obtaining the approval for commercial operation	800 tonnes	N/A	130,631	—
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司)	Yanqing Integrated Waste Treatment Project (延慶垃圾綜合處理項目)	Beijing	Beijing Yanqing Environment Service Center (北京市延慶區環境衛生服務中心)	February 2019 to February 2048 (30 years)	359 tonnes	N/A	81,407	85,019
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	Yingde Laohuyan Municipal Solid Waste Landfill Site (英德市老虎岩生活垃圾填埋場)	Yingde, Guangdong	Yingde City Administration (英德市規劃和城市綜合管理局)	25 years after obtaining the approval for commercial operation	600 tonnes	N/A	80,143	78,867
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境治理有限公司)	Huludao Municipal Solid Waste Landfill Site (葫蘆島生活垃圾填埋場)	Huludao, Liaoning	Huludao Housing and Urban-Rural Construction Commission (葫蘆島市住房和城鄉建設委員會)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	66,409	70,257
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	Weng'an Municipal Solid Waste Landfill Site (甕安縣生活垃圾填埋場)	Weng'an, Guizhou	Weng'an People's Government (甕安縣人民政府)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	60,230	59,281
Others*							243,249	232,310
							2,230,486	1,835,273

* Others represent waste collection and transportation projects, incineration projects and kitchen waste concentration projects without significant concession financial assets.

23. CONTRACT ASSETS

The Group entered into service concession arrangements with the Grantors 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 and will be transferred to concession financial assets or other intangible assets once the construction is completed.

	2019	2018
	RMB'000	*RMB'000*
Contract assets arising from:		
Construction services	**3,420,812**	2,132,903
Impairment	**—**	—
	3,420,812	2,132,903
Analysed for reporting purpose as:		
Current assets	**212,876**	107,225
Non-current assets	**3,207,936**	2,025,678
	3,420,812	2,132,903

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 reclassified to concession financial assets or other intangible assets. The increase in contract assets was the result of the increase in the provision of construction services during each of the years.

The expected timing of completion of construction for contract assets as at 31 December is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within one year	**3,117,140**	1,751,606
After one year	**303,672**	381,297
Total contract assets	**3,420,812**	2,132,903

In the opinion of the Company's directors, there is no loss from expected credit risk exposure as all of the contract assets are due from the Grantors, which are government authorities in the PRC with a high reputation, and loss from credit risk exposure has never occurred for these contract assets in history.

23. CONTRACT ASSETS *(Continued)*

As at 31 December 2019, 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	Electricity generation	Balance as at 31 December 2019 RMB'000	Balance as at 31 December 2018 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	161 million kWh	**1,160,098**	893,394
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	2,250 tonnes	219 million kWh	**361,349**	76,449
Xihua Capital Environment Resources Limited (西華首創環保能源有限公司)	Xihua Solid Waste Incineration Power Generation Plant Project (西華縣秸稈和生活垃圾焚燒發電項目)	Zhoukou, Henan	Xihua People's Government (西華縣人民政府)	30 years after obtaining the approval for commercial operation	1,200 tonnes	60 million kWh	**345,603**	72,345
Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司)	Ruijin Solid Waste Incineration Power Generation Plant (瑞金市生活垃圾焚燒發電廠)	Ruijin, Jiangxi	Ruijin People's Government (瑞金市人民政府)	January 2019 to January 2048 (30 years)	800 tonnes	43 million kWh	**246,300**	138,054
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	Yongji Solid Waste Incineration Power Generation Plant (永濟市生活垃圾焚燒發電廠)	Yongji, Shanxi	Yongji Housing and Urban-Rural Construction Commission (永濟市住房保障和城鄉建設管理局)	May 2014 to May 2044 (30 years)	600 tonnes	83 million kWh	**220,535**	136,576
Huainan Capital Environment Recovery Engineering Company Limited (淮南首創環境修復工程有限公司)	Huainan Waste Dump Site Project (淮南垃圾堆放點項目)	Huainan, Anhui	Huainan City Administration (淮南市城市管理行政執法局)	April 2019 to April 2028 (10 years)	10 sites	N/A	**204,564**	104,382
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	1,800 tonnes	114 million kWh	**172,202**	16,873
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)	September 2018 to September 2047 (30 years)	900 tonnes	83 million kWh	**161,292**	18,368
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	800 tonnes	N/A	**135,799**	—
Others							**413,070**	676,462
							3,420,812	2,132,903

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2019 RMB'000	2018 RMB'000
Advances to suppliers		**212,875**	223,927
Deposits for acquisitions		**—**	5,000
Value-added tax receivables		**386,007**	215,919
Loans receivable	(a)	**9,997**	25,733
Prepayments for emission units		**43,053**	28,304
Advance payment to Urban Construction Design & Research Institute (城市建設研究院, "Urban Construction Institute")	(b)	**—**	40,050
Tender deposits		**250,548**	83,609
Others		**25,185**	17,786
		927,665	640,328
Analysed for reporting purposes as:			
Current assets		**866,621**	526,731
Non-current assets		**61,044**	113,597
		927,665	640,328

(a) Loans receivable

Loans receivable represent an amount of RMB9,997,000 (2018: RMB15,262,000), which bear interest at the PRC Benchmark Lending Rate per annum and are due from a related party of a former shareholder of Zhejiang Zhuoshang, which was acquired by the Group on 1 December 2015. According to the payment schedule, RMB8,160,000 is expected to be repaid in 2020, and therefore, the loans receivable are classified as current assets.

(b) Advance payment to Urban Construction Design & Research Institute

The amount as at 31 December 2018 represents an advance payment to a third party supplier, Urban Construction Institute, with a carrying amount of RMB40,050,000, net of an impairment loss of RMB89,600,000.

The Group and the Urban Construction Institute have lodged several appeals to Nanchang Arbitration Commission (南昌仲裁委員會) and various courts in the PRC. During the year ended 31 December 2019, the Nanchang Arbitration Commission issued a mediation order for the above disputes, and a payment of RMB108,409,000 has been received by the Group.

25. INVENTORIES

	2019 RMB'000	2018 RMB'000
Raw materials	24,896	16,057
Contract cost	38,716	7,140
Finished goods	21,924	26,068
	85,536	49,265

26. TRADE RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	1,316,234	859,682
Impairment	(14,280)	(5,546)
	1,301,954	854,136

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:

	2019 RMB'000	2018 RMB'000
0 to 90 days	497,663	428,552
91 to 180 days	180,894	84,353
Over 180 days	623,397	341,231
	1,301,954	854,136

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

	2019 RMB'000	2018 RMB'000
At beginning of year	5,546	4,022
Impairment losses (note 6)	3,603	2,649
Amount written off as uncollectible	(924)	(1,211)
Exchange realignment	6,055	86
	14,280	5,546

26. 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 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 using a provision matrix:

As at 31 December 2019, included in the Group's trade receivable balances were government dismantling tariffs provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately RMB579,945,000 (2018: RMB384,216,000). Included in the government dismantling tariffs are balances amounting to RMB491,187,000 (2018: RMB300,442,000) with ageing over 180 days. In the opinion of the directors of the Company, the expected credit losses are limited because the trade receivable balances are due from the Ministry of Finance of the PRC which is with a high reputation and no actual loss incurred in the history.

Except for the trade receivables in relation to government dismantling tariffs disclosed above, the following table illustrates the credit risk exposure on the Group's remaining trade receivables:

As at 31 December 2019			**Past due**		
	Current	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**0.28%**	**0.58%**	**2.64%**	**12.95%**	**1.94%**
Gross carrying amount (RMB'000)	**578,898**	**39,079**	**27,997**	**90,315**	**736,289**
Expected credit losses (RMB'000)	**1,616**	**225**	**739**	**11,700**	**14,280**

As at 31 December 2018			Past due		
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.02%	0.12%	3.96%	11.09%	1.44%
Gross carrying amount (RMB'000)	285,009	37,506	19,273	42,087	383,875
Expected credit losses (RMB'000)	69	46	764	4,667	5,546

Included in the Group's trade receivable balances are nil amounts due from the Group's joint ventures (2018: RMB9,084,000) and an amount due from the other operator of Waste Disposal Services of RMB375,000 (2018: RMB404,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

27. AMOUNTS DUE FROM ASSOCIATES

During the year ended 31 December 2015, SZ Guangye entered into two agreements with the Group for loans amounting to RMB35,966,000. SZ Guangye repaid RMB4,600,000 to the Group in 2016, and declared dividends amounting to RMB20,755,000 to the Group over the past years. The dividends were not paid by SZ Guangye, and were recognised as loans to the entity by the Group. According to the supplemental agreements, the loans bear interest at the PRC Benchmark Lending Rate plus 20% per annum. The balance of RMB52,121,000 as at 31 December 2019 (2018: RMB39,141,000) represented the loans and interest receivables due from SZ Guangye.

During the year ended 31 December 2016, Beijing Lanjie entered into two agreements with the Group for (i) a loan of approximately RMB6,200,000 which is unsecured and bears interest at a fixed rate of 9% per annum; and (ii) a loan of approximately RMB2,400,000 which is secured and bears interest at a fixed rate of 11% per annum. The balance as at 31 December 2019 represented the loans of RMB8,600,000 and interest payable of RMB125,000 in relation to the loans mentioned above.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019 ***RMB'000***	2018 *RMB'000*
Cash and bank balances	**1,600,770**	2,399,031
Time deposits	**—**	12,500
	1,600,770	2,411,531
Less:		
Time deposits with original maturity of more than three months	**—**	(2,500)
Pledged for service concession arrangements	**(60,741)**	(5,509)
Cash and cash equivalents	**1,540,029**	2,403,522

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,116,197,000 (2018: RMB955,562,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks 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.

Pledged bank deposits represent the deposits required by the local governments for securing the progress of the BOT projects. The balances carried interest at interest rates which ranged from 0 to 2.1% per annum.

29. ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale include vehicles, trucks and tankers, which are built for the purpose of waste management of BCG NZ and are sold to sub-contractors/owner-drivers operating on BCG NZ's behalf. These assets are expected to be sold within the next twelve months. At 31 December 2019, the Group classified these assets as held-for-sale assets with the disposal price of RMB12,354,000 at the carrying amount of RMB9,675,000 (2018: with the disposal price of RMB23,168,000 at the carrying amount of RMB22,144,000).

30. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**677,579**	538,048
91 to 180 days	**70,250**	146,628
Over 180 days	**360,658**	101,212
	1,108,487	785,888

Included in the trade payables are amounts of RMB87,000 (2018: RMB1,842,000) and RMB1,957,000 (2018: RMB2,242,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

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

31. OTHER PAYABLES AND ACCRUALS

	Notes	**2019** ***RMB'000***	2018 *RMB'000*
Contract liabilities	(a)	**126,410**	100,980
Accrued purchases		**90,956**	124,463
Interest payables	(b)	**62,789**	126,759
Amounts due to vendors of interests in subsidiaries/ associates		**20,780**	27,722
Loan from a non-controlling shareholder of a subsidiary	(c)	**10,535**	10,535
Accrued professional fee		**3,983**	12,594
Other tax payable		**67,361**	58,500
Accrued payroll and severance payment		**52,888**	51,633
Others		**19,707**	13,506
		455,409	526,692

31. OTHER PAYABLES AND ACCRUALS *(Continued)*

Notes:

(a) Contract liabilities mainly include short-term advances received to render the waste collection service in New Zealand.

(b) The amounts mainly represent the interest payable by BCG NZ to Chinastar in relation to the other borrowing amounting to NZ$570,000,000 and interest payable related to the notes payable.

(c) The amount represents the balance of a loan from the non-controlling shareholder of Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司).

Other payables are non-interest-bearing and have no fixed terms of repayment.

32. 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 2019. 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.

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 Liabilities *RMB'000*	2018 Liabilities *RMB'000*
Electricity price swaps	**30,307**	5,788
Portion classified as non-current:		
Electricity price swaps	**10,173**	522
Current portion	**20,134**	5,266

Electricity price swaps are designated as hedging instruments in cash flow hedges of forecast sales in electricity. These forecast transactions are highly probable, and the swaps are being used to hedge the electricity price exposure with a fixed price range from RMB282 per megawatt to RMB528 per megawatt with a notional amount of RMB85,028,000.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the swaps match the terms of the expected highly probable forecast transactions. The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item and the quantity of the hedging instrument to hedge the quantity of hedged item. To measure the hedge effectiveness, the Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from changes to the forecasted amounts of cash flows of hedged items and hedging instruments.

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The Group holds the following electricity price swaps:

	Maturity						
	Less than 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 5 years	Total
As at 31 December 2019							
Electricity price swaps (highly probable forecast sales)							
Notional amount (in RMB'000)	13,259	11,744	13,015	9,589	36,499	922	85,028
Average forwards Price (RMB)	323 to 528	338 to 461	344 to 458	282 to 392	283 to 392	376	

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amount *RMB'000*	Carrying amount *RMB'000*	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year *RMB'000*
As at 31 December 2019				
Electricity price swaps	85,028	30,307	Derivative financial instruments (liabilities)	30,307

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year *RMB'000*	Cash flow hedge reserve *RMB'000*
As at 31 December 2019		
Highly probable forecast sales	27,333	19,680

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gain/(loss) recognised in other comprehensive income			Change in fair value used for measuring hedge ineffectiveness	Line item in the statement of profit or loss	Amount reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amount	Tax effect	Total	for the year		Gross amount	Tax effect	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	
As at 31 December 2019									
Highly probable forecast sales	54,668	(15,305)	39,363	(3,672)	Other expenses	27,335	(7,653)	19,682	Other expenses

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	Maturity	*RMB'000*	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank overdrafts — unsecured	—	On demand	—	6.00–8.00	On demand	40,822
Bank loans — secured	4.35–4.79	2020	95,000	4.36–4.79	2019	50,000
Bank loans — unsecured	2.26–4.57	2020	866,167	5.22	2019	205,499
Current portion of long term						
bank loans — secured	4.41–5.15	2020	148,730	4.66–5.23	2019	332,898
bank loans — unsecured	3.29–3.55	2020	7,500	2.36–3.19	2019	619,591
other loans — secured	4.75–5.39	2020	104,236	4.75	2019	83,944
			1,221,633			1,332,754
Non-current						
Other secured bank loans	4.41–5.64	2021–2034	1,369,577	4.66–5.15	2021–2033	640,790
Other unsecured bank loans	3.29–3.93	2022–2036	820,956	3.19	2036	106,266
Other loans — secured	4.89–6.15	2023–2026	1,189,800	4.75–6.15	2020–2023	1,072,719
Other loans — unsecured	1.20–5.50	2021–2031	2,728,857	1.20–5.50	2031	2,682,206
			6,109,190			4,501,981
			7,330,823			5,834,735

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

	2019 RMB'000	2018 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,117,397**	1,248,810
In the second year	**188,712**	137,437
In the third to fifth years, inclusive	**1,187,358**	391,352
Beyond five years	**814,462**	218,267
	3,307,929	1,995,866
Other borrowings repayable:		
Within one year	**104,236**	83,944
In the second year	**2,808,087**	72,719
In the third to fifth years, inclusive	**1,004,680**	3,630,206
Beyond five years	**105,891**	52,000
	4,022,894	3,838,869
	7,330,823	5,834,735

Notes:

(1) Bank loans of RMB825,071,000 as at 31 December 2019 (2018: RMB683,300,000) were guaranteed by a corporate guarantee of the Group.

(2) Bank loans of RMB288,316,000 as at 31 December 2019 (2018: RMB96,388,000) were secured by the service concession arrangement in Huizhou Guanghui Energy Co., Ltd. (惠州廣惠能源有限公司).

(3) A bank loan of RMB69,000,000 as at 31 December 2019 (2018: RMB75,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司).

(4) A bank loan of RMB13,660,000 as at 31 December 2019 (2018: RMB22,080,000) was guaranteed by a corporate guarantee of a subsidiary of Beijing Capital Group.

(5) A bank loan of RMB60,000,000 as at 31 December 2019 (2018: RMB35,000,000) was secured by the prepaid land lease payments and buildings with a carrying amount of RMB58,943,000 (2018: RMB66,866,000).

(6) A bank loan of RMB128,676,000 as at 31 December 2019 (2018: RMB96,920,000) 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).

(7) A bank loan of RMB15,000,000 as at 31 December 2019 (2018: RMB15,000,000) was guaranteed by a corporate guarantee of the Group, and was secured by the prepaid land lease payments and buildings with a carrying amount of RMB21,864,000 (2018: RMB23,184,000).

(8) A bank loan of RMB180,830,000 as at 31 December 2019 (2018: nil) was secured by the service concession arrangement in Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司).

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

Notes: (Continued)

(9) A bank loan of RMB32,754,000 as at 31 December 2019 (2018: nil) was secured by the service concession arrangement in Fuzhou Capital Haihuan Environment Technology Co.,Ltd (福州首創海環環保科技有限公司).

(10) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 31 December 2019 (2018: RMB1,000,000,000) was guaranteed by a corporate guarantee of Beijing Capital Group.

(11) Other loan of RMB72,719,000 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 2019 (2018: RMB156,663,000) was secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司).

(12) Other loan of RMB139,952,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2019 (2018: nil) was guaranteed by a corporate guarantee of the Group, and was secured by the service concession arrangement in Duyun Capital Environment Company Limited (都勻市首創環保有限公司).

(13) Other loan of RMB81,365,000 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 2019 (2018: nil) was guaranteed by a corporate guarantee of the Group, and was secured by the service concession arrangement in Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司).

Included in other borrowings is a loan of NZ$570,000,000 (equivalent to approximately RMB2,676,857,000) from BCG Chinastar International Investment Limited ("BCG Chinastar") which is unsecured, bears interest at 5.5% per annum and has a maturity date on 31 May 2021.

As at 31 December 2019, the Group had undrawn borrowing facilities amounting to RMB1,405,390,000 (2018: RMB1,020,875,000).

As at 31 December 2019, the Group's bank and other loans of RMB4,252,929,000 were charged at fixed interest rates while those of RMB3,077,894,000 were charged at floating interest rates. The carrying amounts of the Group's borrowings approximate to their fair values.

35. NOTES PAYABLE

On 11 September 2018 and 18 October 2018, the Group issued notes in an aggregate principal amount of US$250 million (equivalent to RMB1,715,800,000) and US$50 million (equivalent to RMB343,160,000) with a total discount of US$896,000 (equivalent to RMB6,147,000), respectively. These two tranches of notes form a single series which is listed on the Stock Exchange of Hong Kong Limited. The net proceeds after deducting the transaction costs of RMB7,371,000 were RMB2,045,442,000. These notes bear interest from 11 September 2018 at 5.625% per annum payable semi-annually in arrears on 11 March and 11 September of each year, beginning on 11 March 2019. Unless early redeemed, or purchased or cancelled, these notes will be redeemed at their principal amount on 10 September 2021.

After initial recognition, these notes are subsequently measured at amortised cost, 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.

35. NOTES PAYABLE *(Continued)*

The movements of notes payable during the year are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Liabilities as at 1 January	**2,046,726**	—
Notes payable issued	**—**	2,045,442
Interest reclassified in previous year	**33,532**	—
Interest during the year	**126,652**	34,765
Interest paid during the year	**(128,319)**	—
Exchange realignment	**37,702**	51
	2,116,293	2,080,258
Less: Interest to be paid within one year	**(35,889)**	(33,532)
Liabilities at 31 December	**2,080,404**	2,046,726

36. PROVISIONS

	2019 *RMB'000*	2018 *RMB'000*
At 1 January	**217,775**	204,114
Amounts utilised during the year	**(3,056)**	(4,186)
Reversal of unutilised amounts	**(2,342)**	—
Reassessment of closure and post-closure provision	**2,689**	12,945
Effect of time value adjustment	**4,551**	4,874
Exchange realignment	**3,921**	28
At 31 December	**223,538**	217,775
Portion classified as current liabilities	**—**	—
Non-current portion	**223,538**	217,775

Provision is mostly made for the future costs of closing the Group's landfills in New Zealand at the end of their economic lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item-by-item basis. The provision held, at the end of the reporting period, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

37. 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* (note)	*RMB'000*
At 1 January 2018	(104,744)	705	(375,293)	(50,642)	68,878	—	—	37,398	(423,698)
(Charge)/credit to profit or loss	(6,319)	14	11,233	(69,295)	4,896	—	—	5,750	(53,721)
Acquisition of subsidiaries	—	—	(12,500)	(7,167)	—	—	—	—	(19,667)
Exchange realignment	(9)	—	272	—	13	—	—	(18)	258
At 31 December 2018	(111,072)	719	(376,288)	(127,104)	73,787	—	—	43,130	(496,828)
Effect of adoption of HKFRS16	—	—	—	—	—	(75,293)	75,293	—	—
At 1 January 2019	**(111,072)**	**719**	**(376,288)**	**(127,104)**	**73,787**	**(75,293)**	**75,293**	**43,130**	**(496,828)**
(Charge)/credit to profit or loss	**(2,631)**	**(250)**	**8,396**	**(119,658)**	**(48)**	**(258,023)**	**260,143**	**(7,816)**	**(119,887)**
Credit to other comprehensive income	—	—	—	—	—	—	—	**7,653**	**7,653**
Exchange realignment	**(2,054)**	—	**(6,033)**	—	**1,305**	**(9,562)**	**9,630**	**596**	**(6,118)**
At 31 December 2019	**(115,757)**	**469**	**(373,925)**	**(246,762)**	**75,044**	**(342,878)**	**345,066**	**43,563**	**(615,180)**

Note: Others included other payables and accruals, tax losses recognised, the discounting impact of trade receivable and derivative financial instruments.

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

37. 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:

	2019	2018
	RMB'000	*RMB'000*
Deferred tax assets	**14,602**	6,063
Deferred tax liabilities	**(629,782)**	(502,891)
	(615,180)	(496,828)

The Group has tax losses of RMB504,809,000 arising in Mainland China (2018: RMB283,534,000) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses of RMB362,887,000 (2018: RMB219,339,000) 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.

38. ISSUED CAPITAL

Shares

	2019	2018
	HK$'000	*HK$'000*
Authorised:		
30,000,000,000 (2018: 30,000,000,000) ordinary shares of HK$0.1 each	**3,000,000**	3,000,000

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,188,219**	1,188,219

39. RESERVES

The amounts of the Group's statutory reserve and capital reserve and movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 48 to 49 of the consolidated financial statements.

40. A PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2019	2018
Percentage of equity interest held by non-controlling interests:		
BCG NZ Group	**49%**	49%

	2019 *RMB'000*	2018 *RMB'000*
Profit for the year allocated to non-controlling interests:		
BCG NZ Group	**88,291**	92,284
Dividends paid to non-controlling interests of BCG NZ	**(27,877)**	(16,807)
Accumulated balances of non-controlling interests at the reporting date:		
BCG NZ Group	**1,172,729**	1,100,815

The following table illustrates the summarised financial information of BCG NZ Group. The amounts disclosed are before any inter-company eliminations:

	2019 *RMB'000*	2018 *RMB'000*
Revenue	**2,370,871**	2,310,365
Total expenses	**(2,190,685)**	(2,122,030)
Profit for the year	**180,186**	188,335
Total comprehensive income for the year	**203,656**	188,763
Current assets	**455,594**	575,788
Non-current assets	**7,022,241**	5,581,541
Current liabilities	**(629,336)**	(686,600)
Non-current liabilities	**(4,455,171)**	(3,224,168)
Net cash flows from operating activities	**528,349**	397,266
Net cash flows used in investing activities	**(270,428)**	(304,929)
Net cash flows used in financing activities	**(306,865)**	(66,365)
Net increase/(decrease) in cash and cash equivalents	**(48,944)**	25,972

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, additions of property, plant and equipment amounting to RMB347,000 (2018: RMB12,945,000) are due to the reassessment of closure and post-closure provision (note 36), which have no cash flow impact on the Group. Besides, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB976,186,000 and RMB967,334,000, respectively, in respect of lease arrangements (2018: nil).

(b) Changes in liabilities arising from financing activities

2019

	Bank and other borrowings *RMB'000*	Interest payables *RMB'000*	Lease liabilities *RMB'000*
At 31 December 2018	**5,834,735**	**126,759**	**—**
Effect of adoption of HKFRS 16	**—**	**—**	**284,248**
At 1 January 2019	**5,834,735**	**126,759**	**284,248**
Changes from financing cash flows	**1,476,992**	**(523,118)**	**(55,115)**
New leases	**—**	**—**	**967,334**
Foreign exchange movement	**19,096**	**(6,283)**	**28,815**
Interest capitalised	**—**	**43,310**	**—**
Interest expense	**—**	**422,121**	**13,684**
At 31 December 2019	**7,330,823**	**62,789**	**1,238,966**

2018

	Bank and other borrowings *RMB'000*	Interest payables *RMB'000*
At 1 January 2018	4,698,701	11,704
Changes from financing cash flows	1,031,060	(210,196)
Increase arising from acquisition of subsidiaries	79,851	—
Foreign exchange movement	25,123	663
Interest capitalised	—	14,396
Interest expense	—	310,192
At 31 December 2018	5,834,735	126,759

41. 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:

	2019 *RMB'000*
Within Operating activities	(35,141)
Within financing activities	(55,115)
	(90,256)

42. CONTINGENT LIABILITIES

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

	2019 *RMB'000*	2018 *RMB'000*
Guarantees given to the government in connection with continuous operation of landfills (note)	239,182	194,743
Guarantees given to the government in connection with fulfilling the waste collection contracts and the other activities (note)	117,374	75,678
	356,556	270,421

Notes: Guarantees given under the agreements were entered into with the New Zealand government authorities on the continuous operation of the landfills or for meeting the required operational standards. The amounts of the guarantees were determined based on the terms of the agreements signed by the subsidiary of the Group in New Zealand and the New Zealand government authorities. In the opinion of the directors, the entity will fulfil its responsibilities in relation to the continuous operation of the landfills and meeting the required operational standards, therefore, there is low risk of the claims made against the Group under the guarantees.

As at 31 December 2019, the Ministry of Business, Innovation and Employment ("MBIE") in New Zealand has yet to conclude its review of the Group's application of the Holiday Pay legislation. Their review is ongoing and, at this time, it is too early to identify whether any adjustments may arise.

43. PLEDGE OF ASSETS

The Group's buildings, prepaid land lease payments, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings. For details, please refer to notes 13, 14 and 34, respectively.

44. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted, but not provided for:		
— construction work under service concession arrangements	**3,674,050**	1,512,863
— property, plant and equipment	**325,011**	283,324
	3,999,061	1,796,187

(b) Operating lease commitments as at 31 December 2018

The Group leased certain of its premises and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from one to nineteen years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	53,878
In the second to fifth years, inclusive	86,194
After five years	33,132
	173,204

45. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following material related party transactions during the year of 2019:

(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, which are companies 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 Investment & Guarantee Co., Ltd., Beijing Agricultural Investment Commercial Factoring Company Limited and Beijing Agricultural Financial Leasing Company Limited are subsidiaries of Beijing Capital Group.

45. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

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

Name of the related parties	Nature of the transactions	2019 *RMB'000*	2018 *RMB'000*
Beijing Capital Investment & Guarantee Co., Ltd.	Guarantee charges*	191	289
Beijing Capital (HK)	Rental expenses**	1,763	1,774
BCG Chinastar	Interest expenses***	142,678	137,986
Beijing Capital Group	Guarantee charges^	5,660	4,105
Beijing Capital Group	Keepwell fee^^	9,670	5,535
Beijing Agricultural Investment Commercial Factoring Company Limited	Interest expenses^^^	—	2,658
Beijing Agricultural Investment Financial Leasing Company Limited	Interest expenses^^^	—	2,943

* The guarantee charges were related to a borrowing of a subsidiary of the Company and based on the rate of 1.2% per annum of the remaining principal amount.

** The rental expenses were charged in accordance with the relevant agreement.

*** The interest expenses were related to the loan of NZ$570,000,000 from BCG Chinastar.

^ The guarantee charges were related to a borrowing of a subsidiary of the Company and based on the rate of 0.6% per annum of the remaining principal amount.

^^ Beijing Capital Group provides the keepwell service for the loan of HK$700,000,000 from Bank of China (Hong Kong) and the keepwell fee is calculated based on the rate of 0.6% per annum of the loan.

Beijing Capital Group provides the keepwell service for the issued notes of US$300,000,000 and the keepwell fee is calculated based on the rate of 0.3% per annum.

^^^ The interest expenses were related to the loans from Beijing Agricultural Investment Commercial Factoring Company Limited and Beijing Agricultural Investment Financial Leasing Company Limited with a fixed interest rate of 5% per annum.

In addition to above, Xiongan Pioneer, a new associate mentioned in note 20 to the consolidated financial statements, was jointly established during the year by the Group with 49% equity interest and Beijing Capital Co., Ltd., the intermediate holding company of the Company, with 51% equity interest.

45. 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 RMB2,318,307,000 (2018: RMB1,632,096,000) and RMB451,804,000 (2018: RMB230,231,000), respectively, under service concession arrangements with the local governments in the PRC (see note 22). All the concession financial assets of the Group are due from the local governments in the PRC.

Trade receivables of government dismantling tariffs in relation to the licenses and franchises for the treatment of certain waste electric and electronic products were RMB579,945,000 (2018: RMB384,216,000).

Trade receivables due from the local governments in the PRC in relation to the waste management service concession arrangements were RMB359,295,000 (2018: RMB91,591,000).

Commitments with government-related entities were included in note 44.

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.

45. RELATED PARTY TRANSACTIONS *(Continued)*

(b) The transactions with non-government-related entities which are related to the Group are listed below:

	Notes	2019 RMB'000	2018 RMB'000
Sales to related parties:			
Transwaste	(i)	**105,488**	103,466
Pike Point Transfer Station	(i)	**11,382**	12,308
Burwood Resource Recovery Park Limited	(ii)	**6,940**	10,924
Midwest Disposals	(i)	**7,715**	5,675
Waste Disposal Services	(iii)	**5,708**	4,246
		137,233	136,619
Purchases from related parties:			
Transwaste	(i)	**32,809**	33,295
Midwest Disposals	(i)	**37,316**	30,978
Waste Disposal Services	(iii)	**14,948**	16,885
Pike Point Transfer Station	(i)	**16,364**	16,446
Daniels Sharpsmart New Zealand Limited	(i)	**4,012**	4,003
Burwood Resource Recovery Park Limited	(ii)	**176**	147
		105,625	101,754
Interest income from related parties:			
SZ Guangye	(iv)	**3,178**	2,062
Beijing Lanjie	(iv)	**—**	802
		3,178	2,864

Notes:

(i) The entity is a joint venture of the Group.

(ii) The entity is a subsidiary of the Group's joint venture.

(iii) The transactions are with the other operator of Waste Disposal Services.

(iv) The entity is an associate of the Group.

45. RELATED PARTY TRANSACTIONS *(Continued)*

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

	2019 RMB'000	2018 RMB'000
Short-term benefits	11,463	16,179
Post-employment benefits	404	588
	11,867	16,767

46. 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:

2019

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	17,918	—	17,918
Concession financial assets	—	2,230,486	2,230,486
Trade receivables	—	1,301,954	1,301,954
Financial assets included in prepayments, other receivables and other assets	—	271,543	271,543
Amounts due from associates	—	60,846	60,846
Pledged deposits	—	60,741	60,741
Cash and cash equivalents	—	1,540,029	1,540,029
	17,918	5,465,599	5,483,517

46. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Derivatives designated as hedging instruments *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	—	1,108,487	1,108,487
Financial liabilities included in other payables and accruals	—	185,060	185,060
Interest-bearing bank and other borrowings	—	7,330,823	7,330,823
Amount due to a related party	—	1,855	1,855
Notes payable	—	2,080,404	2,080,404
Derivative financial instruments	30,307	—	30,307
Lease liabilities	—	1,238,966	1,238,966
	30,307	11,945,595	11,975,902

2018

Financial assets

	Financial assets at fair value through other comprehensive income		
	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial assets at fair value through other comprehensive income	78,185	—	78,185
Concession financial assets	—	1,835,273	1,835,273
Trade receivables	—	854,136	854,136
Financial assets included in prepayments, other receivables and other assets	—	149,392	149,392
Amounts due from associates	—	47,876	47,876
Pledged deposits	—	5,509	5,509
Cash and cash equivalents	—	2,403,522	2,403,522
Time deposits	—	2,500	2,500
	78,185	5,298,208	5,376,393

46. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

	Derivatives designated as hedging instruments *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	—	785,888	785,888
Financial liabilities included in other payables and accruals	—	289,479	289,479
Interest-bearing bank and other borrowings	—	5,834,735	5,834,735
Amount due to a related party	—	1,665	1,665
Notes payable	—	2,046,726	2,046,726
Derivative financial instruments	5,788	—	5,788
	5,788	8,958,493	8,964,281

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

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 2019

	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 investments designated at fair value through other comprehensive income	**—**	**—**	**17,918**	**17,918**

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	59,183	—	19,002	78,185

Liabilities measured at fair value:

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Financial liabilities				
Derivative financial instruments	**—**	**30,307**	**—**	**30,307**

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	—	5,788	—	5,788

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivative financial instruments, comprise interest-bearing bank and other borrowings, notes payable, cash and cash equivalents, pledged deposits, and financial assets at fair value through other comprehensive income. 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 from associates, amounts due to the immediate shareholders, an amount due to a related party, 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 consolidated 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 RMB30,779,000 for the year ended 31 December 2019 (2018: RMB19,062,000).

Foreign currency risk

Substantially all of the Group's sales and purchases are denominated in RMB and NZ$. The Group's certain bank balances are denominated in NZ$, HK$, US$ and Euro, while certain expenses of the Group are denominated in currencies other than RMB.

The Group is mainly exposed to exchange fluctuations in NZ$, US$ and HK$ against RMB. The following table demonstrates the sensitivity as at 31 December 2019 and 2018 to a reasonably possible change in the NZ$, US$ and HK$ exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Foreign currency risk *(Continued)*

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2019			
If RMB weakens against NZ$	**5**	**—**	**119,666**
If RMB strengthens against NZ$	**(5)**	**—**	**(119,666)**
If RMB weakens against US$	**5**	**—**	**9,617**
If RMB strengthens against US$	**(5)**	**—**	**(9,617)**
If RMB weakens against HK$	**5**	**(5,670)**	**—**
If RMB strengthens against HK$	**(5)**	**5,670**	**—**
2018			
If RMB weakens against NZ$	5	—	112,671
If RMB strengthens against NZ$	(5)	—	(112,671)
If RMB weakens against US$	5	—	62,535
If RMB strengthens against US$	(5)	—	(62,535)
If RMB weakens against HK$	5	(14,753)	—
If RMB strengthens against HK$	(5)	14,753	—

* Excluding retained profits

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, time deposits, pledged deposits, trade receivables, concession financial assets, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through other comprehensive income and amounts due from associates, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2019, 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 determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue 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 is mainly in the PRC and New Zealand which accounted for 71% and 29%, respectively (2018: 56% and 44%) of the total trade receivables as at 31 December 2019.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk in trade receivables, concession financial assets and contract assets of RMB5,353,507,000 (2018: RMB3,372,390,000) as at 31 December 2019, representing a guaranteed waste treatment fee to be received from forty-five (2018: thirty-eight) grantors in service concession arrangements of waste treatment and waste-to-energy plants. Besides, the Group has dismantling subsidy receivables included under trade receivables of RMB579,945,000 (2018: RMB384,216,000) from the Ministry of Finance of the PRC. The Group considers that the risk is limited as the grantors are government authorities in the PRC with a high reputation.

As at 31 December 2019, included in the prepayments, other receivables and other assets were RMB212,875,000 (2018: RMB223,927,000) of advances to suppliers and RMB9,997,000 (2018: RMB25,733,000) of loans receivable mentioned in note 24. The Group considers that the credit risk on advances to suppliers and the loan receivable is limited as these counterparties are of good credit history.

The credit risk of amounts due from associates is limited because the associates are profit-generating.

The credit risk on cash and cash equivalents, time deposits and pledged deposits are limited because the counterparties are reputable banks in the PRC, New Zealand 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.

48. 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:

2019

	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	1,108,487	—	—	—	—	1,108,487
Financial liabilities included in other payables and accruals	185,060	—	—	—	—	185,060
Amount due to a related party	—	1,855	—	—	—	1,855
Notes payable	—	115,817	2,174,750	—	—	2,290,567
Derivative financial instruments	6,210	13,924	10,067	106	—	30,307
Lease liabilities	—	57,543	53,962	142,652	8,619,827	8,873,984
Interest-bearing bank and other borrowings	235,708	1,322,070	600,180	4,229,185	1,728,724	8,115,867
	1,535,465	1,511,209	2,838,959	4,371,943	10,348,551	20,606,127

2018

	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	771,377	14,511	—	—	—	785,888
Financial liabilities included in other payables and accruals	245,522	43,957	—	—	—	289,479
Amount due to a related party	—	1,665	—	—	—	1,665
Notes payable	—	80,304	115,817	2,174,750	—	2,370,871
Derivative financial instruments	—	5,266	382	140	—	5,788
Interest-bearing bank and other borrowings	40,822	1,566,260	448,757	4,049,892	309,027	6,414,758
	1,057,721	1,711,963	564,956	6,224,782	309,027	9,868,449

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.

48. 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 notes payable disclosed in note 34 and note 35, 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.

49. EVENTS AFTER THE REPORTING PERIOD

There were no subsequent events that require adjustments to or disclosures in the consolidated financial statements.

50. 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:

	2019 *RMB'000*	2018 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	20	38
Amounts due from subsidiaries	2,151,367	1,462,666
Investments in subsidiaries	3,574,742	2,897,845
Total non-current assets	5,726,129	4,360,549
CURRENT ASSETS		
Prepayments, other receivables and other assets	289	4,340
Bank balances and cash	439,104	1,318,098
Total current assets	439,393	1,322,438
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	627,046	613,340
Other payables and accruals	40,159	45,129
Total current liabilities	667,205	658,469
NET CURRENT ASSETS/(LIABILITIES)	(227,812)	663,969
NON-CURRENT LIABILITIES		
Notes payable	2,080,404	2,046,726
Interest-bearing bank and other borrowings	627,046	—
Total non-current liabilities	2,707,450	2,046,726
Net assets	2,790,867	2,977,792
CAPITAL AND RESERVES		
Share capital	1,188,219	1,188,219
Reserves (note)	1,602,648	1,789,573
Total equity	2,790,867	2,977,792

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *RMB'000*	Exchange fluctuation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2018	3,972,845	—	(2,088,540)	1,884,305
Loss for the year	—	—	(77,706)	(77,706)
Other comprehensive expense for the year	—	(17,026)	—	(17,026)
Total comprehensive expense	—	(17,026)	(77,706)	(94,732)
At 31 December 2018	3,972,845	(17,026)	(2,166,246)	1,789,573
Loss for the year	—	—	(136,208)	(136,208)
Other comprehensive expense for the year	—	(50,717)	—	(50,717)
Total comprehensive expense	—	(50,717)	(136,208)	(186,925)
Transfer from share premium	(2,302,454)	—	2,302,454	—
At 31 December 2019	1,670,391	(67,743)	—	1,602,648

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2020.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2015 *RMB'000* (Restated) (Note 1)	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	**2019** ***RMB'000***
RESULTS					
Revenue (continuing and discontinued operation)	2,639,432	2,707,882	3,495,166	4,648,196	**5,938,095**
Profit attributable to owners of the Company	157,825	43,848	148,342	182,733	**302,749**

	As at 31 December				
	2015 *RMB'000* (Restated) (Note 1 & 2)	2016 *RMB'000* (Restated) (Note 2 & 3)	2017 *RMB'000*	2018 *RMB'000*	**2019** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	9,143,298	9,573,382	10,682,437	14,886,033	**18,635,880**
Total liabilities	(4,778,793)	(5,281,397)	(6,217,362)	(10,082,115)	**(13,394,626)**
	4,364,505	4,291,985	4,465,075	4,803,918	**5,241,254**
Equity attributable to owners of the Company	3,200,504	3,101,877	3,213,509	3,362,362	**3,622,593**
Non-controlling interests	1,164,001	1,190,108	1,251,566	1,441,556	**1,618,661**
	4,364,505	4,291,985	4,465,075	4,803,918	**5,241,254**

Notes:

1. The financial summary of the Group as at 31 December 2015 have been restated to include the assets and liabilities of BCG NZ Investment Holding Limited ("BCG NZ") and its subsidiaries as if they were within the Group since 28 March 2014 and the results for the years ended 31 December 2015 have also been restated to include the results of BCG NZ and its subsidiaries since BCG NZ and the Group were under common control by Beijing Capital Group from 28 March 2014. BCG NZ was acquired by the Group during the year ended 31 December 2016.

2. The financial summary of the Group as at 31 December 2015 and 2016 have been restated based on the IFRIC agenda decision which observed that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of indefinite life intangible assets shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale. The Group reassessed and determined that the carrying amount of the indefinite life intangible assets is to be recovered through use. The change in accounting policy had been applied retrospectively.

3. The financial summary of the Group as at 31 December 2016 has also been restated to reflect new information obtained about facts and circumstances that existed as of the acquisition date of Tirohia Landfill & Hamilton Organics. The acquisition was completed on 30 November 2016 and the purchase price allocation was completed during the measurement period.

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

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