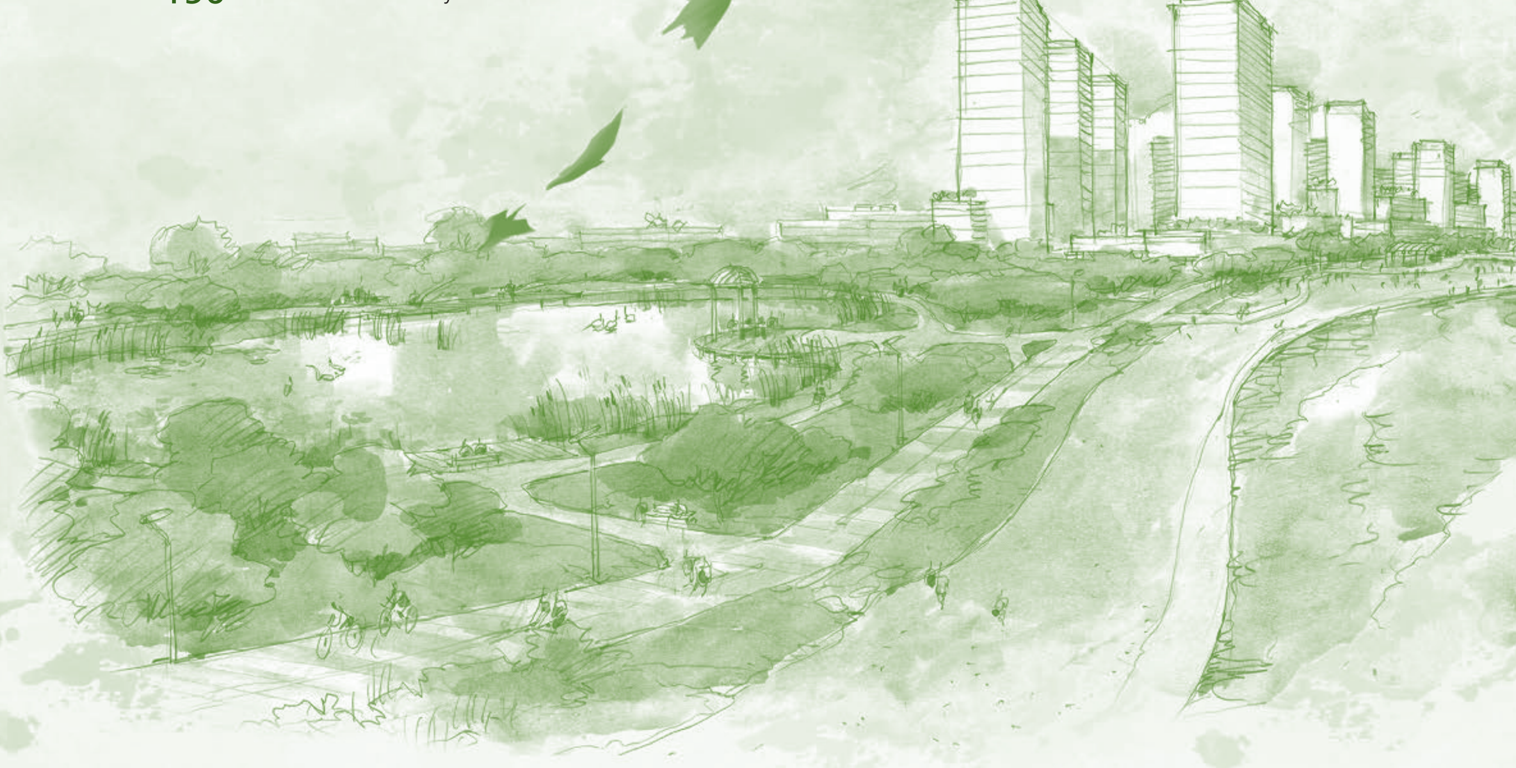
Capital Environment Holdings Limited
首創環境控股有限公司

(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

2022 年報
ANNUAL REPORT

CONTENTS



CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Cao Guoxian *(Chairman)*
Mr. Li Fujing *(Chief Executive Officer)*
Mr. Li Qingsong *(Executive General Manager)*

Non-executive Director
Ms. Hao Chunmei

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)*
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

COMPANY SECRETARY
Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES
Mr. Cao Guoxian
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
Harney Westwood & Riegels
Jun He Law Firm

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

SHARE REGISTRARS AND TRANSFER OFFICES

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

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

CORPORATE WEBSITE
www.cehl.com.hk

STOCK CODE
03989

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Cao Guoxian
Chairman

As unusual interest rate hikes by the US Federal Reserve, the Russia-Ukraine conflict and the prolonged COVID-19 pandemic in 2022 fueled worries that the global economy could slip into a recession, the situation unseen in a century has been evolving at a faster pace. The International Monetary Fund projected the global economic growth to slow down from 3.2% in 2022 to 2.2% in 2023, with countries accounting for about one-third of the global economy poised to contract this year or next. Tightening monetary policies in major economies, elevated inflation in many countries and the risk of uncertainty in financial markets have dealt heavy blows to the real industries, investor confidence, social governance, global stock markets and other areas, causing drastic fluctuations in global financial markets.

In 2022, China's economy rose to the challenge and showed great resilience amid a complex global economic environment. In the year, the Chinese government set the tone for its macro policies to stabilize growth and expand domestic demand, while emphasizing its determination not to resort to a deluge of strong stimulus policies. As such, appropriate policies were introduced successively to tackle difficult situations. In addition, the Chinese government has also identified the construction of ecological civilization and the development of a green and low-carbon economy as the economic drivers and made it clear that developing a green and low-carbon economy is as important as protecting and improving people's livelihood, signaling that the development of a green and low-carbon economy will enter a new era of rapid and efficient development.

In 2022, China entered a critical period for its construction of ecological civilization with carbon reduction as the key strategic direction to achieve substantial improvement in ecological and environmental quality, which is line with the outline of the "14th Five-Year Plan" for national development. During the year, a series of favorable policies were introduced to support the development of the environmental protection industry. The Central Economic Work Conference pointed out the need to promote the green transformation in economic and social development and called for concerted efforts to cut carbon emissions, reduce pollution, expand green development, and pursue economic growth so as to build a beautiful China. In addition, Chinese President Xi Jinping pointed out in the report to the 20th National Congress of the Communist Party of China that the country shall apply the new development philosophy on all fronts, proactively promote green, circular, and low-carbon development, and pursue the high-quality development featuring ecological priority and green and low-carbon practices, thereby materializing the well-measured use of natural resources which is the key to ecological conservation and promoting respect for nature and a better life in harmony with nature. In the future, the green environmental protection industry will be a major pillar of China's sustainable development as a new development model, and will be factored into the national development planning for harmonious coexistence of man and nature, which shows the Chinese government's determination to underscore and develop the green industry and will kick off the high-quality development of the industry.

Admirable growth is expected in the Year of the Rabbit following the solid efforts in the Year of the Tiger. In 2022, Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), aligned itself with the "14th Five-Year Plan" strategy and the "Eco+2025" strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group"), a substantial shareholder of the Company, rose to the challenge on the road to sustainability, sized up the situation, mapped out its strategic planning for core competencies. The Company enhanced quality and efficiency across the board in terms of core operations, market expansion, business synergy, construction management and technological innovation, pursued high-quality development by growing internal strengths and exploiting external resources and achieved further improvement in the five indicators of "high quality, stable growth, sustainability, new development and high value", turning uncertainty into certainty and launching a second curve of growth. In addition, the Group has achieved organic integration and deep connection among its business segments focusing on the sanitary landfilling, waste-to-energy incineration, organic anaerobic treatment, site restoration and sanitation and cleaning. All sub-segments on the business chain work together to create synergies – a vertical synergy among cleaning and sanitation, waste collection and transportation, incineration and landfilling with waste incineration as the core, and a horizontal synergy among disposal of various types of waste such as general industrial waste, kitchen waste and agricultural and forest residues, thereby achieving a "point, line, plane and plant" structure for solid waste disposal business. Furthermore, the Group adheres to the principle of technology-driven growth, applies the basic concept of integrating technology and business, pushes forward with technology research and development, commercialization of technology, and innovation in mechanisms and explores solutions to the "pain points" of the industry so as to provide new momentum, incubate new businesses and nurture new growth areas. The Group stays true to its corporate mission of "jointly building a happy homeland that is clean, beautiful and prosperous" and moves towards its vision of being "a trusted leader in environmental sustainability".

The Group has continued its efforts to develop the solid waste segment in its unrelenting pursuit of new progress and excellence. During the year, the Group operated 65 environmental protection projects of various types in China, covering more than 20 provinces and cities such as Beijing, Jiangxi and Henan, with a total investment of over RMB18,612 million. The Group's revenue from principal operations amounted to RMB4,589 million for the year; total assets and net assets amounted to RMB20,138 million and RMB6,684 million, respectively; profit for the year amounted to RMB3,053 million (including RMB2,941 million from discontinued operation); and net profit attributable to the parent company amounted to RMB1,628 million.

The Group continued to rank among the Top Ten Influential Enterprises in the solid waste industry of China by virtue of its outstanding market influence and clear strategic positioning, demonstrating the Group's unshakeable faith in sustainable development and the market's recognition of the Group's mission, vision, values and influence.

I would like to express my sincere gratitude to the management and all employees of the Group for their hard work and remarkable contribution in the past year, and to the shareholders of the Company, members of the board of directors of the Company and people from all walks of life in Mainland China and Hong Kong for their support to the Group.

In the future, the Group will break through brambles and thorns and forge ahead with unremitting efforts. The Group will stick to the "14th Five-Year Plan" strategy and "Eco+2025" strategic iteration of Capital Eco Group, adopt customer-oriented approach and pursue high-quality development with technology as a primary productive force, human resources as the foremost resource and innovation as the first driving force, opening up new growth areas and creating new momentum and strengths for development. In addition, as the environmental industry is in the era of inventory, the Group will foster internal strengths, strive for cost reduction and efficiency enhancement, and focus on its environmental protection business to build an industry-leading integrated service capability of "research, production, sales and service". Acting with the strategic values of helping customers succeed, keeping innovating, upholding integrity, and sharing responsibility and benefits, the Group will work with business associates and other parties to promote ecological, economic and social prosperity and achieve harmony between man and nature.

Chairman
Cao Guoxian

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Li Fujing
Chief Executive Officer

In 2022, major economies across the globe witnessed a weak and fragile recovery amid turbulence caused by the erratic developments of COVID-19, rising inflation, Russia-Ukraine conflict and energy crisis, with economic indicators on industries, consumption, import and export falling, dragging the global economy into a recessionary cycle. According to the International Monetary Fund (IMF), global growth in 2022 slowed down to 3.2%, from 6.0% in 2021, with developed economies expanding only 2.4% and emerging markets and developing economies only 3.7%. Developed economies such as the United States and Europe experienced sharp declines and looked to aggressive interest rate hikes to curb inflation, leading to a new tightening cycle. On the other hand, emerging and developing economies showed uneven performance, with some caught in energy, food or debt woes. In the context of global economic volatility and uncertainty, enterprises undergoing transformation and structural reform faced more uncertainties and grappled with more challenges.

While the world economy suffered from the complexities of multiple crises, the Chinese economy showed its resilience and dynamism to steer the world economy in the right direction. During the year, externally, the Regional Comprehensive Economic Partnership Agreement (RCEP) entered into force, creating the world's most populous, largest free trade area with the greatest potential for development in the Asia-Pacific region, injecting valuable fresh momentum into the volatile and fragile Asia-Pacific and world economies plagued by the COVID-19 pandemic. Internally, in the face of the complex global business environment, the Chinese government adhered to the strategic principles of its "14th Five-Year Plan", acted swiftly to cope with challenges, and made great efforts to support market players, stabilize employment and price levels. As its policies to stabilize economic gradually took effect and its suppressed domestic demand was unleashed, China eventually reversed the downward trend in its economic growth and achieved a rebound, contributing to the promotion of strong, sustainable, balanced and inclusive growth of the world economy.

2022 is a critical year for China to address climate change, accelerate the formation of green and low-carbon development patterns and lifestyles, and achieve the goals of carbon peaking and carbon neutrality ("dual carbon goals"). With an eye on the environmental protection industry, the Chinese government issued a number of industry policies in 2022, covering the national policies on dual carbon goals, promoting the construction of waste-free cities, fighting against pollution, strengthening the law-based regulation of pollution and reforming the legal disclosure system of environmental information. The Action Plan for Carbon Emissions Peaking Before 2030 issued by the State Council, which sets out the "green and low-carbon transformation of energy structure" as one of the "Top Ten Actions for Carbon Peaking", calls for speeding up the construction of a clean, low-carbon, safe and efficient energy system to contribute to achieving the goals of carbon peaking and carbon neutrality. In addition, 17 governmental ministries and departments of China, including the Ministry of Ecology and Environment and the National Development and Reform Commission, jointly issued the Work Plan for the Construction of Waste-free Cities in the 14th Five-Year Plan Period to promote the construction of "waste-free cities" in 100 cities at prefectural level and above. The work plan states that the construction of waste-free cities plays a non-negligible role in fighting against pollution and materializing carbon peaking and carbon neutrality and other major strategies as it would promote the comprehensive green transformation of cities in an all-round way and help to form green production patterns and lifestyles across the whole society, further promoting sustainable green economic and social development. The strategic plans for the development of a green economy set out above shows the Chinese government's determination to promote the construction of ecological civilization and the harmonious coexistence of human and nature, and sets the tone for the transformation towards a green economy.

Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), actively aligned itself with national strategies to grasp market opportunities, and fully implemented the "14th Five-Year Plan" strategy and the overall deployment of "Eco+2025" strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group"), a substantial shareholder of the Company. Specifically, the Group continued to deepen and adjust its multi-business mix to build up its main capabilities and achieve structural changes in profitability, thereby gradually shaping its operating profitability. At the same time, the Group insisted on technological innovation-driven development, optimized its environment for technological innovation and enhanced its capability in technological innovation, speeding up to develop its technological innovation hub to promote the high-quality development of the Group. In addition, the Group has focused on its environmental protection business and built an industry-leading integrated service capability of "research, production, sales and service", with its operations covering waste-to-energy incineration, cleaning and sanitation, waste collection and transportation, site restoration, sanitary landfilling, organic waste treatment and hazardous waste disposal. All sub-segments on the business chain work together to create synergies – a vertical synergy among cleaning and sanitation, waste collection and transportation, incineration and landfilling with waste incineration as the core, and a horizontal synergy among various types of waste such as general industrial waste, kitchen waste and agricultural and forest residues, expanding horizontally and vertically to achieve a "point, line, plane and plant" structure for solid waste disposal business. Furthermore, the Group has put into practice the development philosophy that highlights core concept, basic strategy and key organizational capability, pursued the strategic initiatives on transformation and upgrading, in-depth urban presence and value diversification and, with a focus on capacity building and technological innovation, created a diversified value driver of "investment + capability + service" to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to achieve a multi-business portfolio covering "water, solid waste, air and energy" environmental services.

The Year of the Tiger has witnessed solid performance and paved the way for growth in the Year of the Rabbit. During the year, the Group developed a business model driven and empowered by project revenue and technological innovation instead of by investment through its efforts in capacity building and efficiency enhancement, which enabled the Group to transform and upgrade its operations and become a major player in the industry in terms of business scale and an industry leader in terms of capabilities in market segments. During the year, the Group's total assets amounted to RMB20,138 million; turnover amounted to RMB4,589 million; profit for the year amounted to RMB3,053 million, of which RMB2,941 million was profit for the year from the discontinued operation; and net profit attributable to the parent company amounted to RMB1,629 million.

In terms of domestic market, the Group had secured a total of 65 asset-heavy projects as at 31 December 2022, including 27 waste-to-energy projects, 5 waste landfill projects, 6 anaerobic digestion treatment projects, 17 waste collection and transportation projects, 7 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass electricity generation projects. Of these projects, 59 have been under construction or put into operation. The total investment amounted to approximately RMB18,612 million, with RMB16,531 million already invested. The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.11 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units. In addition, the Group secured 25 asset-light projects, including 14 environmental sanitation projects and 11 site restoration projects.

In respect of overseas markets, in view of the uncertainties surrounding market conditions and international relations, the Group disposed of its entire business segment in New Zealand during the year. The disposal represented a good opportunity for the Group to realize its overseas investment for cash and reposition its strategic focus in the PRC, as well as a key step of the Group's business strategy to focus on developing its waste treatment and waste-to-energy services in the PRC. Looking ahead, the Group believes that after the reallocation and consolidation of its overseas assets, it can further develop its business operations in the PRC, and further cooperate with various parties in the industry to promote ecological, economic and social prosperity, and to achieve harmony between man and nature.

Improving quality and efficiency to strengthen the foundation:

In terms of fostering internal drivers, the Group promoted high-quality development of its existing operations towards, further expanded its technology-based asset-light operations, and balanced asset-light and asset-heavy operations in a forward-thinking way, thereby consolidating the foundation for the development of its main businesses. During the year, bearing "quality and efficiency enhancement" and "compliant operations" in mind, the Group concentrated its efforts and seized opportunities to maintain a steady upward trend in the overall operation of its core business. For the incineration and organic waste treatment business, considerable progress and results were achieved in the areas of trial operation turning to commercial operation, waste treatment volume, power generation per tonne, subsidy collection and pricing adjustment, and technical improvement and upgrading. During the year, a total of six projects, including incineration projects in Shenzhou, Duchang, Yutian, Suichuan and Qixian and the biomass power generation project in Qixian, were approved for commercial operation; the treatment volume and on-grid power generation per tonne of existing incineration projects increased, with the total daily average waste volume of 17 incineration projects increasing by more than 2,000 tonnes per day, and on-grid power generation per tonne of waste increasing by 10.36% year-on-year; the subsidies for three projects of anaerobic treatment of organic waste, i.e. Hangzhou, Yangzhou and Ningbo kitchen waste treatment projects, have been increased and are expected to bring additional revenue of RMB15.39 million each year; and a total of 56 technical reforms were implemented to optimize production technology, address safety hazards, improve the efficiency of incineration and reduce the costs of waste disposal.

Expanding market presence of both asset-heavy and asset-light operations:
In terms of market expansion, the Group consolidated the foundation of its asset-heavy operations, and drove the growth of its asset-light operations, with the formation of its city-oriented companies completed and the deployment of its market network basically completed. 7 environmental sanitation projects were newly awarded and 3 projects were renewed, with an aggregate contract value of RMB1,071 million; and 6 site restoration projects were newly awarded, with an aggregate contract value of RMB543 million. For asset-heavy operations, the Group secured one waste-to-energy project with a design capacity of 600 tonnes per day. For asset-light operations, the environmental sanitation business team re-mapped its market development blueprint and concentrated efforts on developing presence in 11 selected provinces, achieving a bid-winning rate of over 60% for sanitation projects. The site restoration business team has initially established a market network in 18 provinces, municipalities and autonomous regions, focused its efforts on key cities, and won 4 projects in Yunnan Province, with the "landfill + mine" dual-wheel driven business model beginning to take shape.

Proper implementation of construction management:
In terms of construction management, the Group accelerated the progress of 7 projects under construction, completed the construction, operation and transfer of 5 projects, and completed the finishing works and defect elimination of 11 projects. In addition, the Group acted in alignment with Capital Eco Group, and worked closely with Capital Eco Group to create efficient synergy and reconstruct an efficient investment management system, which has improved the management efficiency of work related to safety, quality and progress. Meanwhile, the Group reduced costs and increased profits through the whole-process cost management by determining reasonable cost control targets based on engineering technology solutions. The Group finished the completion procedures and settlement of 10 projects, and effectuated closed-loop management for over 400 works certificates, which has improved its construction management standard.

Solid foundation for technological innovation:
In terms of technological innovation, the Group promoted the development of a management system for technological innovation and the management of research subjects, sticking to the path of steering market by virtue of technology and expanding market presence by leveraging technology. During the year, the Group drew up the 14th Five-Year Plan on Technological Innovation for the Solid Waste Division, and cooperated with Capital Eco Group to complete the establishment of an IPD-based R&D system, and participated in a national key program under the "14th Five-Year Plan" – "Key Technologies and Equipment for Circular Economy". Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司) ("Beijing Capital Technology"), a subsidiary of the Group, was accredited as an enterprise with intellectual property advantages at national level and an corporate technology center of Beijing. Beijing Capital Technology has developed 8 technological products, obtained 1 new technology and new product certification in Beijing and 2 certificates of technological achievements at provincial/ministerial level as well as 1 third prize for scientific and technological progress from the China Association of Urban Environmental Sanitation, and registered 8 new invention patents, bringing its total patents to 208. In addition, Beijing Capital Technology entered into a technical service contract for organic waste with Chengdu CSET Co., Ltd. (成都中科能源環保有限公司), marking its first technical service contract with an external party.

Integration of internal control and safety:
In terms of internal control, the Group improved the construction of internal control mechanism and strengthened the supervision and management of project companies. During the year, the Group formulated the "Management Measures on Rules and Regulations of Capital Environment Holdings Limited"《首創環境控股有限公司規章制度管理辦法》, focusing on publicity of the systems and promoting the implementation thereof. Meanwhile, it streamlined the processes and frameworks of various business matters, with the incineration business process basically being completed and putting into practice, and the environmental sanitation business and site restoration business processes are being sorted out in stages. Further, the Group established and improved the management systems relating to Three Meetings (namely shareholders' general meeting, meeting of the board of directors and meeting of supervisory committee) of the project companies, standardized the corresponding process and content of the Three Meetings, updated the plan for structuring the management system of the branch companies, and specified that classified management would be implemented for the branch companies.

In terms of production safety and safety management, the Group established and improved safety management system and signed letter of responsibility for production safety objectives with each department and project company during the year. With risk classification and control being strengthened, the Company developed the high- and medium-risk control list and four-colour matrix. To strengthen education and training, it organized a symposium on traffic and carried out production safety education and training. The production safety committee held four meetings during the year, and the headquarters established the weekly meeting system for safety work. After the potential hazards being identified, a closed-loop management was carried out to rectify the potential hazards in a timely manner, with a rectification rate of 100%.

Diversified financing methods:
The Group actively explored various financing options that are beneficial to the shareholders of the Company, comprehensively considered the short-, medium- and long-term capital needs, and utilized various financing methods to provide sufficient funds for future investments. During the year, the Group redeemed in cash an aggregate of 16,316,200 offshore preference shares with an aggregate par value of approximately HK$1,632 million. During the year, the Group secured RMB3,124 million of banking facilities in total, of which RMB2,000 million was granted to the Group's headquarters and RMB1,124 million was granted to various project companies.

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

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

In 2022, the Board of Directors of the Group("the Board") formulated the "Policy on Climate Change"《氣候變化政策》, which stipulates that the Board is the highest decision-making body for managing climate change issues, and the Board Office shall assist the Board in managing relevant policies and measures. The Group will provide trainings on climate change to the Board, the management and relevant employees in due course, and gradually incorporate climate change considerations into the Group's overall business development strategy. To ensure its projects are climate-resilient, the Group set up a long-term target for carbon neutrality by 2050 and implement measures for achieving the carbon emission reduction target by 2030, while understanding the impact of climate change on the regions where the projects are located and conducting regular inspections.

During the year under review, the environmental performance of the Group's principal businesses is summarized as follows:

	Total
Domestic waste disposal	6,694,200 tonnes
Hazardous waste disposal	53,100 tonnes
On-grid electricity provided	1,945 million kWh

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

The Group operate its projects in strict compliance with the relevant laws and regulations. The major regulations applicable to the Group's projects include the Environmental Protection Law of the People's Republic of China《中華人民共和國環境保護法》, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste《中華人民共和國固體廢物污染環境防治法》, the Regulations on Administration of Recovery and Disposal of Waste Electrical and Electronic Products《廢棄電器電子產品回收處理管理條例》, the Labour Law of the People's Republic of China《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China《中華人民共和國勞動合同法》, the Production Safety Law of the People's Republic of China《中華人民共和國安全生產法》, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases《中華人民共和國職業病防治法》, the Regulation on Work-Related Injury Insurances of the People's Republic of China《中華人民共和國工傷保險條例》, the Law of the People's Republic of China on the Protection of Minors《中華人民共和國未成年人保護法》, the Tentative Provisions on Payment of Wages《工資支付暫行規定》, the Company Law of the People's Republic of China《中華人民共和國公司法》, the Standard for Pollution Control on Municipal Solid Waste Incineration《生活垃圾焚燒污染控制標準》, Anti-Unfair Competition Law of the People's Republic of China《中華人民共和國反不正當競爭法》, Anti-Money Laundering Law of the People's Republic of China《中華人民共和國反洗錢法》, the Bidding Law of the People's Republic of China《中華人民共和國招標投標法》. In 2022, the Group did not record any material losses and impacts arising from non-compliance with the regulations.

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

Employees

The Group highly values the contribution and dedication of its employees and acknowledges that science and technology are the primary productive force, talents are the most valuable resources, and innovation is the most important impetus. The Group continuously builds up new development momentum and advantages through deepening the talents-oriented strategy and innovation-driven development strategy, exploring new areas and blazing new trails for development. The Group pursues development with capital, talents and culture as its driving forces, and strives to create a healthy and pleasant working environment for employees, allowing the employees to work efficiently. Meanwhile, the Group continuously explores the human resources management model, establishes a competitive remuneration mechanism, and provides employees with attractive remuneration packages. During the year, the Group continued to professionalize its talents team and further improved the construction of the talents position system. It utilized various platforms such as the Chuangyun Book Court（創雲書園）and the Capital Environment Podium（首創環境大講壇）to conduct talent training, holding 15 live broadcasts on professional training, and offering more than 240 courses. In addition, the Group improved the incentive and constraint mechanism to stimulate the vitality of the organization in a continuous manner.

Customers

It is the Group's top priority to provide customers with high-quality, efficient and safe services. In adherence to the customer-centric business philosophy and being oriented by customer demand, the Group pursues high-quality development, builds up energy within the Group, leverages on external resources, and takes customer satisfaction as the primary principle, aiming to build a sustainable ecosystem in which customers and partners cooperate closely for long-term value. The "Measures on Management and Operation of Projects"《項目運營管理辦法》and a series of policies on product liability were developed by the Group to regulate the management and operation process.

Suppliers

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

Business outlook

Being joyful and grateful, we are inspired to move forward. The year 2023, falling in the middle of the "14th Five-Year Plan" period, is an important year for the implementation of the plan. It is also a crucial year for the Group and Capital Eco Group to achieve high-quality development through comprehensive integration, development and upgrading. The Group will adhere to the general keynote of "quality improvement and quantity increase", implement the "133" strategic goal system, further improve the decoding, decomposition, formulation, implementation and related support capabilities of the Company's sub-strategies, closely focus on the main lines of " tackling challenges, improving quality, increasing quantity and making innovation", and devote efforts in tapping efficiency potentials and deploying new business line. For tackling challenges, the Group will focus on "diagnoses, breakthrough and mobilization"; for improving quality, it will emphasize on " exploration, renovation and extension"; for increasing quantity, it will capitalize on "collaborative operations, maintaining growth and grabbing opportunities "; and for making innovation, it will leverage on" aggregation, creation and empowerment". In addition, the Group will continue to optimize its asset structure, focus on comprehensive advancement through stabilizing the current situation, putting more efforts for the performance of the whole year, and seeking long-term development. The Group strives to promote high-quality and sustainable growth of corporate operations, and become a trustworthy leader of sustainable development in solid waste field, making further contributions to promoting high-quality development in all respects.

FINANCIAL REVIEW

Overview

In prior years, the functional currency of the Company was United States dollar ("US$"). With effect from 30 September 2022, the functional currency of the Company changed from US$ to Renminbi ("RMB") as the directors of the Company considered that the underlying transactions, events and conditions of the Company have been changed. As the Group disposed its entire business segment in New Zealand in the year, the directors of the Company believe that for the purposes of investment and financing activities, the Company's business transactions in the future will be focused on the development of its waste treatment and waste-to-energy business in the PRC.

The change in the functional currency of the Company has been applied from the date of the change, and all items including equity items were converted to RMB using the exchange rate at 30 September 2022.

For the year under review, net profit attributable to owners of the Company was approximately RMB1,628,662,000, representing an increase of approximately 218.88% as compared to RMB510,746,000 for 2021. The increase was mainly due to the gain arising from the disposal of the entire operation in New Zealand, which was completed during the year under review.

Continuing Operation

For the year under review, the Group's revenue from its continuing operation of the waste treatment and waste-to-energy business was approximately RMB4,588,955,000, representing a decrease of approximately 14.96% from approximately RMB5,395,943,000 (restated) for 2021. This was mainly due to a year-on-year decrease in construction revenue as a result of the successive completion of certain projects in the PRC, resulting in a decrease in overall revenue.

For the year under review, the Group's gross profit margin was approximately 30.24%.

Net profit attributable to owners of the Company for the year from continuing operation was approximately RMB128,533,000, representing a decrease of approximately 75.92% from approximately RMB533,693,000 (restated) for 2021. The decrease was mainly due to a year-on-year decrease in construction revenue, the impairment of assets of PRC subsidiaries and the exchange losses arising from exchange rate fluctuations.

Discontinued Operation

On 31 March 2022, BCG NZ Investment Holding Limited, a non-wholly owned subsidiary of the Company, entered into an agreement whereby it conditionally agreed to dispose of its entire interest in Beijing Capital Group NZ Investment Holding Limited ("NZSPV"), being the entire waste treatment and waste-to-energy business operated by NZSPV and its subsidiaries in New Zealand (the "Disposal").

The completion of the Disposal took place on 30 September 2022. Based on the exchange rate at the time of entering into the sale and purchase agreement, the Groups expected to receive approximately HK$4,174 million from the Disposal (after taking into account the repayment of the shareholder's loan due from the vendor to the Company), being 51% of the net proceeds from the Disposal. However, due to the effect of exchange rate changes, the Group's 51% share of the net proceeds from the Disposal as at 31 December 2022 was approximately HK$3,784.4 million (approximately HK$3,757.2 million was received and the remaining approximately HK$27.2 million was yet to receive), taking into account the repayment of the shareholder's loan by the vendor to the Company.

Of the net proceeds attributable to the Group, approximately 47% (i.e. approximately HK$1,762.9 million) were used for redemption of the cumulative perpetual non-voting and non-convertible preference shares issued by the Company to Beijing Capital (HK) and BCG Chinastar and the payment of the interest accrued thereon, and approximately 48% (i.e. approximately HK$1,823.3 million) were used to settle the Group's existing loans and liabilities due and interest accrued thereon. The remaining approximately 5%, i.e. approximately HK$198.2 million, was unutilized.

The operation in New Zealand has been classified as a discontinued operation, details of which are set out in note 11 to the financial statements. The comparative figures in the consolidated statement of profit or loss have been re-presented as if the operation discontinued in the year had been discontinued in the comparative year.

Financial Position

As at 31 December 2022, the Group had total assets of approximately RMB20,137,996,000 and net assets attributable to owners of the Company were approximately RMB6,493,348,000. As at 31 December 2022, the gearing ratio (calculated as total liabilities divided by total assets) was 66.81%, representing a decrease of 3.71% from 70.52% as at the end of 2021. The overall gearing ratio declined due to the decrease in the underlying assets and liabilities of NZSPV following the disposal of the operation in New Zealand completed in the year. The current ratio (calculated as current assets divided by current liabilities) increased from approximately 0.87 as at 31 December 2021 to approximately 1.33 as at 31 December 2022, which was mainly due to the repayment of bank loans falling due during the year.

Financial Resources

The Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 31 December 2022, the Group had cash and bank balances and pledged bank deposits of approximately RMB1,550,032,000, representing a decrease of approximately RMB170,459,000 as compared to approximately RMB1,720,491,000 at the end of 2021. The decrease was mainly due to the repayment of certain loans, the redemption of preference shares and day-to-day operating expenses during the year under review. Having considered the Company's operating and investment plans, the Company is of the view that its current financial resources are sufficient to meet its operating and investment needs. Currently, most of the Group's cash is denominated in RMB, HK$, US$ and NZ$.

Borrowings

As at 31 December 2022, the Group had outstanding borrowings of approximately RMB9,107,493,000, representing a decrease of approximately RMB2,623,131,000 as compared to approximately RMB11,730,624,000 at the end of 2021. The borrowings comprised secured loans of approximately RMB6,870,464,000 and unsecured loans of approximately RMB2,237,029,000. The borrowings are denominated in RMB and US$. Approximately 26.1% and 73.9% of the borrowings bear interest at fixed rate and variable rate, respectively.

Foreign Exchange Exposure

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

Pledge of Assets

As at 31 December 2022, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements, bank balances of RMB3,278,000 and leasehold land and buildings of RMB57,539,000.

Bank deposits of RMB33,948,000 were pledged for service concession arrangements as required by the local governments to secure the progress of certain BOT projects.

Commitment Arrangements

As at 31 December 2022, the Group had commitments of approximately RMB275,681,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 31 December 2022, the Group provided performance guarantees of approximately RMB192,737,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

Employee Information

As at 31 December 2022, the Group had about 3,674 employees in total, mainly based in Mainland China and Hong Kong. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid regions.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cao Guoxian, aged 59, holding a doctorate degree in management, was appointed as an executive director of the Company and chief executive officer of the Company in July 2011, and was re-designated as executive Director and the Chairman of the board of directors in November 2019. Mr. Cao is a director of ECO Industrial Environmental Engineering Pte Ltd, vice chairman of the board of directors of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Previously, Mr. Cao served in the Faculty of International Studies of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences; and worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation(北京京放經濟發展公司), special assistant to the chairman of Beijing Capital Land Ltd.(首創置業股份有限公司), deputy officer of the office of Beijing Capital Group Co., Ltd.(北京首都創業集團有限公司), deputy general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd. and a director and chairman of BCG NZ Investment Holding Limited(首創新西蘭投資控股有限公司).

Mr. Cao has more than 20 years of extensive experience in investment and financing, mergers and acquisitions, industrial integration and corporate management. He has participated in a series of major mergers and acquisitions and overseas direct investment in the environmental protection field. Mr. Cao has served as key leaders in large state-owned enterprises for a long term and has developed a global perspective and strategic vision as well as in-depth knowledge and unique insights on the reform of state-owned enterprises. He has strived to introduce, benchmark against and localize advanced foreign technologies and management models, aiming to promote the modernized, internationalized and diversified development of domestic ecological and environmental protection facilities.

Mr. Li Fujing, aged 42, holding a master's degree, is a senior economist and engineer. He was appointed as an executive director and the chief executive officer of the Company in November 2019. Mr. Li is a director and general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Before joining the Company, he worked as assistant to the general manager of the infrastructure department and deputy general manager of the environmental industry department at Beijing Capital Group Co., Ltd.. He has rich experience in enterprise management and operation, investment, financing and risk management and other enterprise management work, as well as work experience at overseas enterprises. He worked as an engineer at Baicheng Engineering Technology (Beijing) Co., Ltd.(柏誠工程技術(北京)有限公司), and as project manager at the infrastructure consulting department of Beijing Municipal Engineering Consulting Corporation(北京市工程諮詢公司). He joined Beijing Capital Group Co., Ltd. in May 2013 and successively acted as the assistant to general manager of the infrastructure department, the deputy general manager of the environmental industry department and a director of its certain domestic and foreign subsidiaries.

Mr. Li Qingsong, aged 51, is a senior engineer and economist. He holds a bachelor's degree in port and waterway engineering from the Department of Geography of Zhejiang University, a master's degree in hydraulics and river dynamics from the Department of Water Conservancy of Tsinghua University and a master's degree in business administration from the School of Business Administration of the Chinese University of Hong Kong. He was appointed as an executive Director and executive general manager of the Company in August 2021. Mr. Li had successively acted as an engineer at the Institute of Environmental and Sanitary Engineering Technology(環衛工程技術研究所)of the Urban Construction Design and Research Institute(城市建設研究院)of the Ministry of Construction, the investment manager of the investment and development department, the deputy general manager of Nanjing branch, the general manager of Nanjing branch and the general manager of the investment and development department of southern region, assistant to general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd., the general manager of Hunan Capital Investment Co., Ltd.(湖南首創投資有限責任公司). He has extensive experience in investment and financing management.

NON-EXECUTIVE DIRECTOR

Ms. Hao Chunmei, aged 52, is a senior accountant, certified public accountant and certified public valuer, was appointed as an executive director of the Company in April 2018, and subsequently re-designated as non-executive Director in July 2021. Ms. Hao obtained a master's degree in accounting from the Central University of Finance and Economics and a bachelor's degree in mechanical manufacturing from Beihang University. Ms. Hao is currently the chief accountant of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008), and a director of Beijing Capital (Hong Kong) Limited. Ms. Hao served as a department head of planning and finance department, the general manager of accounting information department, the general manager of the planning and finance department and general manager of the corporate development centre of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 75, 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, etc. for years. Mr. Pao has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-Urban Councilor. He obtained a Master of Science in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. Since 1987, Mr. Pao has been an independent non-executive director of companies listed on the Stock Exchange of Hong Kong Limited, and has extensive experience in the field of corporate governance. Currently, he is an independent non-executive director of a number of companies listed on the Stock Exchange, including Oriental Enterprise Holdings 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 59, 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 a member of the Institute of Chartered Accountants in England and Wales. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a master 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 57, was appointed as an independent non-executive Director in July 2012. Dr. Chan has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association; Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Dr. Chan graduated from City University of Hong Kong with a bachelor of arts in accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited and an independent non-executive director of Xtep International Holdings Limited (a company listed on the Stock Exchange of Hong Kong Limited).

SENIOR MANAGEMENT

Mr. Gu Jinshan, a Ph.D. holder, senior engineer, was appointed as the Deputy General Manager of the Company in February 2015, mainly responsible for site restoration segment of the Company. Mr. Gu obtained a doctorate 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 Institute of Communication of Ningbo Bird Co., Ltd.（寧波波導通信股份有限公司南京通信研究所）, the operation director of the Technology & Network Construction Department of China United Network Communications Limited（中國聯合網絡通信有限公司）, the committee member of Party Committee and Deputy General Manager of China United Network Communications Limited Tangshan Branch（中國聯合網絡通信有限公司唐山市分公司）, the Party Committee member of People's Government and assistant to mayor of Meishan city of Sichuan.

Mr. Liu Yanjun, was appointed as the Deputy General Manager of the Company in June 2011, and then was redesignated as the Secretary of the Board of the Company in December 2020. He is responsible for corporate strategy, capital market and administration affairs of the Board of the Company. 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 the project management office in Harbin Drainage Management, a senior investment manager in PCCW (Beijing) Limited（香港電訊盈科北京有限公司）, a deputy general manager of the Strategy Department and a General Manager of the International Cooperation Department in Beijing Capital Eco-Environment Protection Group Co., Ltd. and a deputy general manager of Beijing Capital (Hong Kong) Limited.

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

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

Mr. Yin Hang, holding a bachelor's degree in engineering (majoring in automation) from the School of Automation of Beijing Institute of Technology. Mr. Yin was appointed as a deputy general manager of the Company in December 2022, mainly responsible for the management of the carbon asset business department of the Company. Mr. Yin was appointed as the assistant president of the Company in 2016 and was re-designated as the assistant to the general manager of the Company in 2020. Prior to that, Mr. Yin successively served as the administrative director of the office, the project manager of the investment and development department and the head of the sources and energy division of Beijing Capital Eco-Environment Protection Group Co., Ltd., and the assistant to the general manager of the corporate management department of Beijing Capital Group Co., Ltd.. Mr. Yin has more than 10 years of experience in the environmental protection field and is familiar with the concession operation model. He had as a leader, participated in the investment and acquisition of various water and solid waste projects. Mr. Yin is also familiar with internal control and risk management systems, having many years of experience in internal control and management of corporate.

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

Mr. Guo Chaoyang, was appointed as the deputy general manager of the Company in June 2022. He is mainly responsible for the strategy and operation of the Company. Mr. Guo holds a master's degree and is an intermediate economist. Mr. Guo joined the Company in 2012. He has extensive experience in corporate operation and operation management. He had successively served as the general manager of the corporate management department and the general manager of the operation and management centre of the Company.

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

Ms. Wong Bing Ni, was appointed as 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 Chartered Governance Institute and an associate member of the Institute of Chartered Secretaries and Administrators. She holds a master degree in professional accounting and 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 of directors of the Company (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 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") for the year ended 31 December 2022.

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

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

As at 31 December 2022, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Mr. Cao Guoxian *(Chairman)*
Mr. Li Fujing *(Chief Executive Officer)*
Mr. Li Qingsong *(Executive General Manager)*

Non-executive Director

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 all Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. Save as disclosed otherwise, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

Every Director has committed sufficient time and effort 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. The independent non-executive Directors, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva, have served as independent non-executive Directors in the Company for more than 9 years. Despite the length of service, there is no evidence that the independence of each of the three independent non-executive Directors, especially in terms of exercising independent judgment and objective challenges to the management, has been or will be in any way compromised or affected. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva will continue to make valuable contribution to the Company by providing their balanced and objective views to the Board.

The Board is circulated with relevant information by the Senior Management pertaining to matters to be brought before the Board for decision as well as reports relating to operational, business and financial performance of the Group before each Board meeting. At least 14 days' notice 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 invited from time to time to present their papers and to take any questions or address any queries that the members of the Board may have on the papers in the meetings.

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

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

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

	Meeting attended/held	
	Board meetings	**General meetings**
Executive Directors		
Mr. Cao Guoxian	13/13	2/2
Mr. Li Fujing	13/13	2/2
Mr. Li Qingsong	13/13	2/2
Non-executive Director		
Ms. Hao Chunmei	13/13	2/2
Independent Non-executive Directors		
Mr. Pao Ping Wing	13/13	2/2
Mr. Cheng Kai Tai, Allen	13/13	2/2
Dr. Chan Yee Wah, Eva	13/13	2/2

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Provision C.1.4 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 2022, 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	
Mr. Cao Guoxian	A,B
Mr. Li Fujing	A,B
Mr. Li Qingsong	A,B
Non-executive Director	
Ms. Hao Chunmei	A,B
Independent Non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	A,B
Dr. Chan Yee Wah, Eva	A,B

Notes:

A: attending seminars/workshops/forums/training courses

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

DIRECTOR'S AND OFFICER'S LIABILITY INSURANCE

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Chief Executive Officer of the Company is responsible for the day-to-day management of the Group and the implementation of the strategies approved by the Board.

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIVERSITY

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

The Board currently has two female Directors out of seven Directors, achieving the gender diversity of the Board at 28.6%. The Board targets to maintain at least the current level of female representation.

As of 31 December, 2022, the ratio of the number of male to female employees is approximately 78.8% to 21.2% as the Group is principally engaged in provision of waste treatment technologies and services. The Group recognises, and endeavours to protect, the rights of its employees and is committed to providing equal opportunities. The Group engages in transparent and fair recruitment practices, and fair remuneration and disciplinary decisions without regard to gender, age, family position, or ethnic background.

BOARD COMMITTEES

Corporate Governance Functions

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

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

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

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

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

(v) to review the Company's compliance with the Corporate Governance Code contained in the Appendix 14 to the Listing Rules and disclosures in the Corporate Governance Report.

During the year under review, the Board has performed its corporate governance duties in accordance with its terms of reference.

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 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 independence of the independent non-executive Director;

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

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

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

During the year under review, the Nomination Committee held four meetings to deal with the following matters: (i) the re-nomination of Mr. Cao Guoxian, Mr. Li Qingsong, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva who were retiring at the annual general meeting held on 28 June 2022 as Directors and they were willing for re-election at the same annual general meeting; (ii) the nomination of Ms. He Xiaoli as the financial controller of the Company; (iii) the nomination of Mr. Guo Chaoyang and Mr. Dai Xiaodong as deputy general managers of the Company; and (iv) the nomination of Mr. Yin Hang as a deputy general manager of the Company.

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

	Meetings attended/held
Mr. Cao Guoxian *(Chairman of the Nomination Committee)*	4/4
Mr. Pao Ping Wing	4/4
Mr. Cheng Kai Tai, Allen	4/4
Dr. Chan Yee Wah, Eva	4/4

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, the 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. The principal roles and functions of the Remuneration Committee include:

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

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

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

– to make recommendations to the Board of the remuneration of non-executive Directors;

– to consider salaries paid by comparable companies, time commitment, and responsibilities and employment conditions elsewhere in the Group;

– to review and approve compensation payable to executive Directors and Senior Management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and reasonable, and not excessive;

– to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

– to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration; and

– to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year under review, the Remuneration Committee held four meetings to consider, review and make recommendation to the Board on the remuneration packages of all or individual Directors and Senior Management.

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

	Meetings attended/held
Mr. Pao Ping Wing *(Chairman of the Remuneration Committee)*	4/4
Mr. Cheng Kai Tai, Allen	4/4
Mr. Cao Guoxian	4/4

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

Audit Committee

The Company established the Audit Committee 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 employment terms, and any matter relating to their resignation and dismissal;

– to maintain an appropriate relationship with the Group's external auditors;

– to review the financial information of the Group;

– to oversee the Group's financial reporting system, risk management and internal control systems;

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

– to act as the key representative body for overseeing the Group's relations with the external auditor.

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

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

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

– reviewing the interim report and interim results announcement for the six months ended 30 June 2022;

– reviewing the annual report and annual results announcement for the year ended 31 December 2021;

– reviewing the accounting principles and practices adopted by the Group and other financial reporting matters;

– discussing with external auditor any significant findings and audit issues;

– discussing with the Management the effectiveness of the risk management and internal control systems of the Group, including financial, operational and compliance controls; and

– reviewing all significant business affairs managed by the executive Directors.

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2022, 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	4,108
Non-audit service	1,288
	5,396

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 it faces in achieving its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Main features of the risk management and internal control systems

The Company's risk governance structure clarifies the function of unified leadership to guarantee the overall work efficiency and the performance of their respective duties among departments and mutual cooperation, 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 and internal control systems; and

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

Management

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

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

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

Internal Audit Department

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

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

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

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

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

Procedures for Identifying, Assessing and Managing Significant Risks

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

Internal Environment

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

Risk Assessment

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

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

Control Activities

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

Information and Communication

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

Monitoring

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

– sets up the internal control organization system;

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

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

During the year, the Board has engaged an external independent consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control systems 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 systems for the year ended 31 December 2022.

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 2022, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

Inside Information

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

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 2022, under the leadership of the Legal Compliance Leading Group of the Company, the main tasks of the Legal Compliance Committee are as follows:

– regularly holds a meeting of the Legal Compliance Committee;

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

– complete the target set in the 2022 letter of responsibility for cleaning up cases;

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

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

COMPANY SECRETARY

The company secretary of the Company (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 Board committees.

During the year ended 31 December 2022, 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. Proposals of Shareholders may also be put forward to the Board in writing through contacting the Company Secretary by way of telephone number, email address or the Company's principal place of business in Hong Kong, as stated in our website.

Procedures for proposing an individual person for election as a Director

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

Procedures for putting forward enquiries to the Board

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

INVESTOR RELATIONS

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

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

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

During the year ended 31 December 2022, the Company amended its constitutional documents, details of which are set out in the circular of the Company dated 26 May 2022, in relation to, among other things, the proposed adoption of the amended and restated memorandum and articles of association.

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 2022, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of the Company (the "Board") present their report together with the audited consolidated financial statements for the year ended 31 December 2022.

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 2022 are set out in the consolidated statement of profit or loss and comprehensive income on pages 49 to 50 of this annual report.

DIVIDENDS

Based on the Group's considerable profit arising from disposal of the New Zealand business in 2022, the Board recommended the payment of a special dividend of HK$1 cent per ordinary share for the year ended 31 December 2022, total of which equivalent to approximately HK$142.95 million (2021: NIL). The proposed special dividend, if approved by the shareholders of the Company ("Shareholder") at the annual general meeting on 28 June 2023, will be paid on 28 July 2023 to Shareholders whose names appear on the register of members on 13 July 2023. The Board did not recommend the payment of a final dividend (2021: NIL) for the year ended 31 December 2022.

DIVIDEND POLICY

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

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

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are set out under the section headed Management Discussion and Analysis on pages 8 to 18 of this annual report. The financial risk management objectives and policies of the Group can be found in note 50 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2022.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 53 to 54 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 156 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

PREFERENCE SHARES

The Company issued an aggregate of 16,316,200 cumulative perpetual non-voting and non-convertible preference shares (the "Preference Shares") to Beijing Capital (Hong Kong) Limited and BCG Chinastar International Investment Limited in December 2020 and May 2021 respectively. The Preference Shares were issued at par value of HK$100 each. The Preference Shares are perpetual and have no maturity date. The Preference Shares are not convertible into ordinary shares of the Company and the holders thereof have no right to request the Company to redeem their Preference Shares or to sell back their Preference Shares to the Company. The Company fully redeemed the issued Preferred Shares on 12 December 2022.

BONDS

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

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

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 of the Company ("Director(s)") or any of their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

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

Executive Directors

Mr. Cao Guoxian *(Chairman)*
Mr. Li Fujing *(Chief Executive Officer)*
Mr. Li Qingsong *(Executive General Manager)*

Non-executive Director

Ms. Hao Chunmei

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. Li Fujing, Ms. Hao Chunmei and Mr. Pao Ping Wing 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 Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") from each of the independent non-executive Directors and considers them to be independent. Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva, the independent non-executive Directors, have been serving in the Company for more than 9 years. However, there is no evidence suggesting that the independence of any of them has already been or will be compromised or affected, especially in terms of the exercise of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva will and continue to make valuable contributions to the Company by providing balanced and objective opinions to the Board.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and Senior Management are set out on pages 19 to 22 of this annual report.

PERMITTED INDEMNITY PROVISIONS

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

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN 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 2022, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As at 31 December 2022, 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")) which were 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 2022, 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 Eco-Environment Protection Group 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 Co., Ltd.	Interest of a controlled corporation (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 Eco-Environment Protection Group Co., Ltd. which was controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Eco-Environment Protection Group Co., Ltd. were deemed to have interest in the shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

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

Save as aforesaid, the Company was not aware of any person who had any interests or short positions in the shares or underlying shares of the Company as at 31 December 2022 which were required to be notified to the Company pursuant to Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

Corporate Financing Guarantee Service

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

As at 31 December 2022, the Group drew down a sum of loans of RMB700 million from Ping An Asset under the Financing Agreement. The Group's guarantee fee payable to Beijing Capital Group for the year ended 31 December 2022 was approximately RMB4.49 million.

On 7 November 2017 (i.e. the date of the Entrustment Guarantee Agreement) and 31 December 2022 (i.e. the end date of the year under review), Beijing Capital Group was the controlling shareholder of the Company, indirectly holding 66.92% of the share capital of the Company. Beijing Capital Group is the connected person of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios of the continuing connected transaction with respect to the payment of guarantee fee to Beijing Capital Group by Capital Investment exceed 0.1% but less than 5%, the transaction is subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

The term of the Entrustment Guarantee Agreement is five years commencing from the date of first drawdown date of the loan. Therefore, the term of the Entrustment Guarantee Agreement will expire on 28 March 2023.

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

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

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

2. on normal commercial terms or better; and

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

Issue of cumulative perpetual non-voting and non-convertible preference shares

On 29 September 2020, the Company, Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)") and BCG Chinastar International Investment Limited ("BCG Chinastar") entered into a subscription agreement, pursuant to which the Company issued 11,000,000 and 5,316,200 cumulative perpetual non-voting and non-convertible preference shares ("Preference Shares") to Beijing Capital (HK) and BCG Chinastar on 22 December 2020, 31 December 2020 and 14 May 2021, respectively. The Preference Shares were issued at par value of HK$100 each. The Preference Shares are perpetual and have no expiration date. The Preference Shares are not convertible into ordinary shares of the Company and the holders thereof have no right to request the Company to redeem their Preference Shares or to sell back their Preference Shares to the Company.

Beijing Capital (HK) and BCG Chinastar, being substantial shareholders of the Company, directly held 45.11% and 21.80% of the issued share capital of the Company as at 29 September 2020 (being the date of the subscription agreement), respectively. Accordingly, Beijing Capital (HK) and BCG Chinastar are connected persons of the Company under the Listing Rules and thus the issue of the Preference Shares constitutes connected transactions of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company fully redeemed the issued Preferred Shares on 12 December 2022.

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

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

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

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 19.81% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 8.58%.

Purchase from the Group's five largest suppliers accounted for 9.97% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 4.15%.

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

PRE-EMPTIVE RIGHTS

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

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 23 to 35 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's fulfillment of its environmental and social responsibilities will be set out in the Environmental, Social and Governance report, which will be uploaded to the website of the Company and the website of the Stock Exchange by the end of April 2023.

AUDITORS

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Cao Guoxian
Chairman

Hong Kong, 20 March 2023

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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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 49 to 155, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 the determination of applicable accounting models, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and the determination of the percentage of completion of construction services. As a result, we identified the accounting treatment for service concession arrangements as a key audit matter.

The accounting policies and disclosures for service concession arrangements are included in 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 – measuring construction service progress toward completion of a performance obligation, note 5 Revenue, other income and gains, note 17 Other intangible assets, note 22 Concession financial assets and note 23 Contract assets to the consolidated financial statements.

Our audit procedures included the following, among others:

– We evaluated the accounting models adopted by the Group and assessed the future guaranteed receipts by reviewing the contract terms of the service concession arrangements. We performed a comparison of the inputs to the accounting models with external market data, especially for gross margin, for which we considered the observable market data and comparable companies in the industry. In addition, we involved our internal valuation specialists to assist us in evaluating the discount rates.

– We evaluated management's assessment of measuring progress towards complete satisfaction of a performance obligation based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the performance obligation. We inquired management about the status of significant projects under construction and examining independent surveyors' reports. We tested the underlying data adopted by the independent surveyors engaged by the Group, which included checking the purchase contracts, invoices and goods delivery notes for construction costs. We also obtained an understanding of and tested management's process of estimating the total budget cost and costs to completion for incomplete construction contracts.

In addition, we assessed the adequacy of the relevant disclosures.

Key audit matter	How our audit addressed the key audit matter
Impairment of other intangible assets in relation to service concession arrangements	
Other intangible assets in relation to service concession arrangements represented waste treatment and waste-to-energy operating rights where the Group has the right to charge local government authorities for treating waste and to charge the other users for products produced during the waste treatment process. Under HKAS 36, the Group is required to perform impairment testing of other intangible assets in relation to service concession arrangements when an indicator of impairment has been identified. The process requires management to make assumptions to be used in the underlying cash flow forecasts, in particular those related to the future revenue growth rate, operating margins and discount rate. Management performed impairment testing with respect to the assets of those loss-making projects during the operation phase with a total gross amount of RMB707 million as at 31 December 2022 and impairment amounting to RMB97 million was provided for in the current year. Given the level of judgement involved and the significance of the amounts, we considered this as a key audit matter. The accounting policies and disclosures of impairment of other intangible assets in relation to service concession arrangements are included in note 2.4 Summary of significant accounting policies – Service concession arrangements, note 2.4 Summary of significant accounting policies – Intangible assets (other than goodwill), note 2.4 Summary of significant accounting policies – Impairment of non-financial assets, note 3 Significant accounting judgements and estimates – Impairment of non-financial assets (other than goodwill and intangible assets with indefinite useful lives) and note 17 Other intangible assets to the consolidated financial statements.	Our audit procedures included the following, among others: – We evaluated the Group's policies and procedures to identify triggering events for potential impairment of assets related to the underperforming cash-generating units and management's assessment on impairment indicators. – We evaluated the methodologies and discount rate used by the Group with the assistance of our internal valuation specialists. We compared the key assumptions used in the impairment test made by management, i.e., the future revenue growth rate over the concession period and operating margin, to the historical performance of the Group, management's business development plan and the future prospects of the business. – We reviewed the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management. We also assessed the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

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.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT *(Continued)*

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 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.

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

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

- 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, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants
Hong Kong
20 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000* Restated
CONTINUING OPERATIONS			
REVENUE	5	**4,588,955**	5,395,943
Cost of sales		**(3,201,352)**	(3,760,408)
Gross profit		**1,387,603**	1,635,535
Other income and gains	5	**309,702**	406,648
Selling expenses		**(17,108)**	–
Administrative expenses		**(431,333)**	(394,049)
Other expenses		**(490,453)**	(206,073)
Impairment losses on financial and contract assets, net		**(64,335)**	(37,043)
Finance costs	7	**(544,670)**	(507,851)
Share of profits of associates		**6,182**	3,991
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**155,588**	901,158
Income tax expense	10	**(43,675)**	(283,025)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**111,913**	618,133
Attributable to:			
Owners of the parent		**128,533**	533,693
Non-controlling interests		**(79,401)**	31,015
Owners of the preference shares		**62,781**	53,425
		111,913	618,133
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	11	**2,941,430**	(44,994)
PROFIT FOR THE YEAR		**3,053,343**	573,139
Attributable to:			
Owners of the parent		**1,628,662**	510,746
Non-controlling interests		**1,361,900**	8,968
Owners of the preference shares		**62,781**	53,425
		3,053,343	573,139
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	13		
For profit for the year		**RMB11.39 cents**	RMB3.57 cents
For profit from continuing operations		**RMB0.90 cents**	RMB3.73 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000*
PROFIT FOR THE YEAR	**3,053,343**	573,139
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**(802)**	(12,371)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**4,014**	45,179
Income tax effect	**79**	(7,088)
	3,291	25,720
Exchange differences:		
Exchange differences on translation of foreign operations	**(195,982)**	(34,096)
Reclassification adjustments for a foreign operation disposed of during the year	**379,709**	–
	183,727	(34,096)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**187,018**	(8,376)
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	**(9,664)**	(734)
Exchange differences:		
Exchange differences on translation of the parent company	**427,024**	(106,197)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**417,360**	(106,931)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**604,378**	(115,307)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,657,721**	457,832
Attributable to:		
Owners of the parent	**1,794,664**	484,072
Non-controlling interests	**1,800,276**	(79,664)
Owners of the preference shares	**62,781**	53,424
	3,657,721	457,832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**547,756**	2,439,493
Right-of-use assets	15	**88,355**	1,310,731
Goodwill	16	**6,055**	1,941,793
Other intangible assets	17	**3,990,473**	4,924,125
Investments in joint ventures	18	**–**	401,708
Investments in associates	20	**42,164**	40,406
Trade receivables	26	**107,422**	193,676
Equity investments designated at fair value through other comprehensive income	21	**7,001**	16,665
Deferred tax assets	37	**56,833**	10,803
Concession financial assets	22	**7,182,407**	5,796,419
Contract assets	23	**1,826,112**	2,707,184
Prepayments, other receivables and other assets	24	**114,688**	159,472
Pledged deposits	28	**3,278**	3,026
Total non-current assets		**13,972,544**	19,945,501
CURRENT ASSETS			
Inventories	25	**65,230**	66,441
Concession financial assets	22	**1,432,800**	1,131,642
Contract assets	23	**405,346**	208,820
Trade receivables	26	**1,694,538**	1,444,970
Prepayments, other receivables and other assets	24	**1,020,784**	1,157,724
Derivative financial instruments	33	**–**	1,766
Amounts due from associates	27	**–**	1,954
Tax recoverable		**–**	4,881
Pledged deposits	28	**33,948**	34,720
Cash and cash equivalents	28	**1,512,806**	1,682,745
Assets classified as held for sale	29	**–**	492,075
Total current assets		**6,165,452**	6,227,738
CURRENT LIABILITIES			
Trade payables	30	**1,786,155**	2,062,996
Other payables and accruals	31	**412,427**	564,883
Deferred income	32	**15,962**	11,464
Derivative financial instruments	33	**–**	5,106
Interest-bearing bank and other borrowings	34	**1,233,041**	3,960,026
Corporate bonds	35	**997,536**	–
Lease liabilities	15	**33,625**	75,471
Amounts due to related parties		**25,135**	9,153
Tax payable		**125,997**	237,993
Liabilities directly associated with the assets classified as held for sale	29	**–**	195,836
Total current liabilities		**4,629,878**	7,122,928
NET CURRENT ASSETS/(LIABILITIES)		**1,535,574**	(895,190)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,508,118**	19,050,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	32	**297,733**	235,726
Interest-bearing bank and other borrowings	34	**7,874,452**	7,770,598
Lease liabilities	15	**–**	1,244,235
Corporate bonds	35	**–**	996,514
Deferred tax liabilities	37	**651,849**	868,804
Provisions	36	**–**	217,813
Total non-current liabilities		**8,824,034**	11,333,690
Net assets		**6,684,084**	7,716,621
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	38	**1,275,167**	1,188,219
Other equity instruments	39	**–**	1,367,694
Reserves	40	**5,218,181**	3,654,983
		6,493,348	6,210,896
Non-controlling interests		**190,736**	1,505,725
Total equity		**6,684,084**	7,716,621

CAO GUOXIAN
Director

LI FUJING
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to equity holders of the Company											
	Issued capital RMB'000 (note 38)	Share premium RMB'000	Other equity instruments RMB'000 (note 39)	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	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	1,188,219	1,670,391	1,316,938	4,702	(481,084)	(20,968)	1,165	14,661	1,928,620	5,622,644	1,566,371	7,189,015
Profit for the year	–	–	–	–	–	–	–	–	564,171	564,171	8,968	573,139
Other comprehensive income for the year:												
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(734)	–	–	(734)	–	(734)
Cash flow hedge, net of tax	–	–	–	–	–	16,789	–	–	–	16,789	8,931	25,720
Exchange differences on translation of the parent company	–	–	–	–	–	–	–	(106,197)	–	(106,197)	–	(106,197)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	63,467	–	63,467	(97,563)	(34,096)
Total comprehensive income for the year	–	–	–	–	–	16,789	(734)	(42,730)	564,171	537,496	(79,664)	457,832
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	16,953	16,953
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	39,925	39,925
De-registration of subsidiaries	–	–	–	–	–	–	–	–	–	–	(2,400)	(2,400)
Dividend paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	(35,460)	(35,460)
Capital contribution from the preference shareholders	–	–	50,756	–	–	–	–	–	–	50,756	–	50,756
At 31 December 2021	1,188,219	1,670,391	1,367,694	4,702	(481,084)	(4,179)	431	(28,069)	2,492,791	6,210,896	1,505,725	7,716,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022

	Attributable to equity holders of the Company												
	Issued capital RMB'000 (note 38)	Share premium RMB'000	Other equity instruments RMB'000 (note 39)	Capital reserve RMB'000	Capital redemption reserve RMB'000	Merger reserve RMB'000	Cash flow hedge reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	1,188,219	1,670,391	1,367,694	4,702	-	(481,084)	(4,179)	431	(28,069)	2,492,791	6,210,896	1,505,725	7,716,621
Profit for the year	-	-	-	-	-	-	-	-	-	1,691,443	1,691,443	1,361,900	3,053,343
Other comprehensive income for the year:													
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	-	(9,664)	-	-	(9,664)	-	(9,664)
Cash flow hedge, net of tax	-	-	-	-	-	-	4,179	-	-	-	4,179	(888)	3,291
Exchange differences on translation of the parent company	-	-	-	-	-	-	-	-	427,024	-	427,024	-	427,024
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	(449,189)	-	(449,189)	253,207	(195,982)
Reclassification adjustments for a foreign operation disposed of during the year	-	-	-	-	-	-	-	-	193,652	-	193,652	186,057	379,709
Total comprehensive income for the year	-	-	-	-	-	-	4,179	(9,664)	171,487	1,691,443	1,857,445	1,800,276	3,657,721
Conversion of the functional currency**	86,948	249,917	120,889	-	-	-	-	-	(202,851)	(254,903)	-	-	-
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,108	1,108
Preference shares repurchased and dividend paid	-	(1,457,706)	(1,488,583)	-	1,488,583***	-	-	-	-	(117,287)	(1,574,993)	-	(1,574,993)
Disposal of a subsidiary (note 42)	-	-	-	-	-	-	-	-	-	-	-	(138,959)	(138,959)
De-registration of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(10,000)	(10,000)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	(1,724,055)	(1,724,055)
Capital reduction from a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(1,243,359)	(1,243,359)
At 31 December 2022	1,275,167	462,602*	-	4,702*	1,488,583*	(481,084)*	-	(9,233)*	(59,433)*	3,812,044*	6,493,348	190,736	6,684,084

* These reserve accounts comprise the consolidated reserves of RMB5,218,181,000 (31 December 2021: RMB3,654,983,000) in the consolidated statement of financial position.

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

** The Company translated all items from United States dollars ("US$") to Renminbi ("RMB") by using the exchange rate at the date of the change.

*** The share premium of RMB1,488,583,000 was transferred to the capital redemption reserve due to the redemption of the preference shares, when the repurchase was affected out of the share premium under the Cayman Island Companies Act.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax			
From continuing operations		**155,588**	901,158
From a discontinued operation		**2,958,130**	(40,301)
Adjustments for:			
Depreciation of property, plant and equipment	14	**111,235**	301,080
Amortisation of other intangible assets	17	**167,730**	140,313
Depreciation of right-of-use assets	15	**26,942**	70,786
Loss/(gain) on disposal of items of property, plant and equipment		**945**	(3,041)
Gain on termination of a service concession arrangement	5	**(17,562)**	(18,382)
Gain on disposal of the discontinued operation	11	**(2,670,949)**	–
Write-down of assets classified as held for sale to fair value	6	**7,960**	28,879
Gain on disposal of an associate	5	**–**	(5,401)
Impairment of prepayments, other receivables and other assets	6	**893**	11,406
Impairment of trade receivables	26	**30,463**	37,793
Impairment of concession financial assets and relevant contract assets	6	**37,162**	7,262
Impairment of other intangible assets	6	**97,100**	63,731
Impairment loss recognised on property, plant and equipment	6	**98,175**	26,632
Impairment loss recognised on goodwill	6	**30,617**	6,766
Share of profits of joint ventures		**(42,853)**	(54,553)
Share of profits of associates		**(6,182)**	(3,991)
Interest income		**(649,920)**	(405,180)
Finance costs		**650,745**	580,502
Fair value gains of a derivative instrument	5	**(118,796)**	–
(Gain)/loss on de-registration of a subsidiary	6	**(3,265)**	7,923
		864,158	1,653,382
(Increase)/decrease in inventories		**(25,551)**	17,114
Increase in concession financial assets and relevant contract assets in relation to service concession arrangements		**(45,176)**	(1,712,370)
Increase in trade receivables		**(315,656)**	(578,514)
Increase in other contract assets		**(292,963)**	(88,761)
Decrease/(increase) in prepayments, other receivables and other assets		**62,820**	(34,471)
Decrease in deferred income		**66,509**	42,476
(Decrease)/increase in trade payables		**(201,883)**	245,508
(Decrease)/increase in other payables and accruals		**(152,682)**	77,084
Decrease in provision	36	**(8,782)**	(7,055)
Cash used in operations		**(49,206)**	(385,607)
Profits tax paid		**(182,786)**	(59,464)
Net cash flows used in operating activities		**(231,992)**	(445,071)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(288,639)**	(409,157)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		**(731,127)**	(967,639)
Additions to other intangible assets		**(58)**	(2,539)
Proceeds from disposal of items of property, plant and equipment		**32,595**	9,037
Decrease/(increase) in assets held for sale		**661,185**	(22,431)
Dividends received from joint ventures		**66,058**	69,389
Dividends received from an associate		**4,297**	1,793
Interest received		**95,466**	12,772
Acquisition of subsidiaries		**(50,620)**	(138,117)
Disposal of subsidiaries		**134,810**	(1,099)
Disposal of the discontinued operation		**4,469,792**	–
Received from disposal of the discontinued operation's debt		**3,126,423**	–
Disposal of a service concession arrangement		**80,000**	–
Disposal of an associate		**–**	131,200
Capital injection to an associate		**–**	(28,121)
Decrease in time deposits		**–**	5,000
Decrease in pledged deposits		**520**	12,446
Net cash flows from/(used) in investing activities		**7,600,702**	(1,327,466)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(494,411)**	(605,108)
New bank and other borrowings		**4,574,872**	5,823,626
Proceeds from issue of preference shares		**–**	50,756
Principal portion of lease payments		**(21,151)**	(39,062)
Repayment of bank and other borrowings		**(7,012,012)**	(2,527,650)
Repayment of notes payable		**–**	(1,910,220)
Dividends paid to non-controlling shareholders		**(1,724,055)**	(35,460)
Preference shares repurchased and dividend paid		**(1,574,993)**	–
Capital contribution from non-controlling shareholders of subsidiaries		**1,108**	16,953
Capital de-registration from a non-controlling shareholder		**(10,000)**	–
Capital reduction from a non-controlling shareholder		**(1,243,359)**	(9,000)
Net cash flows (used in)/from financing activities		**(7,504,001)**	764,835
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(135,291)**	(1,007,702)
Cash and cash equivalents at beginning of year		**1,682,745**	2,762,052
Effect of foreign exchange rate changes, net		**(34,648)**	(71,605)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,512,806**	1,682,745
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**1,550,032**	1,720,491
Pledged deposits	28	**(37,226)**	(37,746)
Cash and cash equivalents as stated in the statement of cash flows		**1,512,806**	1,682,745

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		Principal activities
			Direct	Indirect	
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	RMB484,000,000	–	100	Waste treatment and waste-to-energy generation
Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司)	PRC/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 (都勻市科林環保有限公司)	PRC/Mainland China	RMB40,000,000	–	100	Municipal solid waste treatment
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	PRC/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
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

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	RMB99,320,000	–	97.99	Waste treatment and waste-to-energy generation
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)	PRC/Mainland China	RMB80,000,000	–	95	Recycling and disassembly of waste electrical and electronic equipment
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司) *	PRC/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 (寧波首創厨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
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
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
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

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
Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司)	PRC/Mainland China	RMB128,730,000	–	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	Waste treatment and waste-to-energy generation
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	PRC/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
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
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
Jiangxi Ruijin Ai Si Environmental Electric Limited (瑞金首創環保能源有限公司)	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

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
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
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
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
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

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
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
Zhumadian Tailai Environmental Protection Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	PRC/Mainland China	RMB350,842,420	–	91.45	Waste treatment and waste-to-energy generation
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	PRC/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
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

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
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
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	PRC/Mainland China	RMB116,608,100	–	99	Waste treatment and waste-to-energy generation
Wuzhong Capital Solid Environment Technology Co., Ltd. (吳忠市首拓環境科技有限公司)	PRC/Mainland China	RMB131,000,000	–	100	Hazardous waste treatment
Fangcheng Capital Environmental Energy Technology Co., Ltd (方城首創環境能源科技有限公司)	PRC/Mainland China	RMB108,299,762.57	–	99.9	Waste treatment and waste-to-energy generation
Shenzhou Capital Environmental Sanitation Co., Ltd (深州首創環衛有限公司)	PRC/Mainland China	RMB8,210,000.00	–	100	Waste collection and transportation
BCG NZ Investment Holding Limited***	Hong Kong	NZ$389,987,539	–	51	Investment holding

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

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

*** The entity has been disposed of in the current year.

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 RMB and all values are rounded to the nearest thousand except when otherwise indicated. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4.

Change of functional currency

In prior years, the functional currency of the Company was US$. Starting from 30 September 2022, the functional currency of the Company was changed from US$ to RMB, because, in the opinion of the directors of the Company, the Company's underlying transactions, events and conditions have changed and the directors of the Company consider that the future business transactions, in terms of investing and financing activities, of the Company will mainly from business in Mainland China.

The change in functional currency of the Company was applied prospectively from the date of change, and all items including equity items were converted to RMB using the exchange rate at 30 September 2022.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 revised HKFRSs for the first time for the current year's financial statements:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

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

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 Inventories, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any 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 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

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 resulting from a downstream transaction 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.

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidate financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidate 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.

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*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

Fair value measurement

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

Freehold land	Not depreciated
Buildings	4%
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	Over the shorter of the lease terms and 20%

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

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

Construction in progress 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill)

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

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

Customer contracts

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

Service concession arrangements

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

Licences and franchises

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

Trade names and trademarks

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

Software

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

Research and development costs

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Buildings	1 to 51 years
Plant and machinery	1 to 52 years
Motor vehicles	1 to 5 years
Leasehold land	30 to 50 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

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

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

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

Group as a lessor

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

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

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

Service concession arrangements

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, 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 through 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

Financial assets at fair value through profit or loss (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

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

General approach

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

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

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. The Group has no financial asset in New Zealand upon the New Zealand business being disposed of the year ended 31 December 2022. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach *(Continued)*

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

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, 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 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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedge accounting *(Continued)*

Initial recognition and subsequent measurement *(Continued)*

Cash flow hedges (Continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

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.

Preference shares

Preference shares issued by the Group contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. The Group classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference share issuance are deducted from equity. The dividends on preference shares are recognised as profit distribution at the time of declaration.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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.

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

- when the deferred tax asset relating to the deductible temporary 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

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

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

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

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

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

(a) Sale of goods

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

(b) Construction services

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

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

(c) Waste management services

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

Other income

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

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

Contract assets

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 assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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 transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

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 Mainland China 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, Mainland China 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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.

Foreign currencies

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. 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 consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Service concession arrangements

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

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

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

Judgements *(Continued)*

Service concession arrangements *(Continued)*

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

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

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.

Significant judgement in determining the lease term of contracts with renewal options

Year ended 2021

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of some office buildings due to the significance of these assets to its operations. These leases have a non-cancellable period and there will be a significant negative effect on operation if a replacement is not readily available.

Year ended 2022

The Group had no lease contract that included extension and termination options upon the New Zealand business being disposed of in the year ended 31 December 2022. Further details are given in note 11.

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 2022 was RMB30,617,000 (2021: RMB6,766,000). No impairment of intangible assets with indefinite useful lives was recognised for the years ended 31 December 2022 and 2021. The intangible assets with indefinite useful lives has been disposed along with the disposal of the discontinued operation. 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 and contract assets which are not derived from construction service under service concession arrangements. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's 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 year ended 31 December 2022, impairment of construction in progress was provided for with an amount of approximately RMB98,175,000 (2021: RMB26,632,000), impairment of other intangible assets in relation to service concession arrangements was provided for with an amount of approximately RMB97,100,000 (2021: RMB63,731,000). Further details are given in note 14 and note 17.

Progress towards complete satisfaction of a performance obligation

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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

Estimation uncertainty *(Continued)*

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 2022 was approximately RMB56,833,000 (2021: RMB10,803,000).

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 2022, the carrying amounts of property, plant and equipment and other intangible assets were RMB547,756,000 and RMB3,990,473,000 (2021: RMB2,439,493,000 and RMB4,924,125,000), 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 2022, there was no provision for site restoration (2021: RMB217,813,000).

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

With the New Zealand business being classified as a discontinued operation and has been disposed this year, the Group has only one reporting segment: waste treatment and waste-to-energy business in the PRC, of which the further details are included in this consolidated financial information. Details of the discontinued operation and information on assets and liabilities of the disposal group held for sale are given in note 11.

Information about major customers

No revenue from continuing operations 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:

Revenue

	2022 ***RMB'000***	2021 *RMB'000* Restated
Revenue from contracts with customers	**4,071,620**	5,002,952
Effective interest income on concession financial assets	**517,335**	392,991
	4,588,955	5,395,943

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

Revenue *(Continued)*

(i) Disaggregated revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers:

	2022 ***RMB'000***	2021 *RMB'000* Restated
Types of goods or services		
Construction services under service concession arrangements	**1,367,213**	3,168,203
Operation services under service concession arrangements	**1,586,308**	1,006,158
Electronic appliance dismantling	**393,877**	459,032
Operation services not under service concession arrangements	**137,161**	64,723
Others	**587,061**	304,836
Total revenue from contracts with customers	**4,071,620**	5,002,952
Timing of revenue recognition		
Goods transferred at a point in time	**449,399**	582,913
Services transferred over time	**3,622,221**	4,420,039
Total revenue from contracts with customers	**4,071,620**	5,002,952

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB102,395,000 (2021: RMB132,390,000).

(ii) Performance obligations

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

Construction services under service concession arrangements

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

Operation services under service concession arrangements

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

Electronic appliance dismantling

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

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

Revenue *(Continued)*

(ii) Performance obligations *(Continued)*

Operation services not under service concession arrangements

Revenue from operation services not under service concession arrangements is mainly derived from technical services which are satisfied once the promised service is rendered to a customer, and recycling which is satisfied at the point in time when a promised good or service is transferred to a customer. Payment in advance for technical service is normally required and payment for recycling, generally due within 50 days according to the terms of agreements or due 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:

	2022 ***RMB'000***	2021 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,572,713**	3,139,009
After one year	**27,907,142**	28,298,210
	29,479,855	31,437,219

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

Other income and gains

	2022 ***RMB'000***	2021 *RMB'000* Restated
Bank interest income	**24,927**	8,815
Other interest income	**106,479**	324,563
Gain on fair value change of derivatives financial instruments	**118,796**	–
Government grants	**37,247**	49,396
Gain on termination of service concession arrangements	**17,562**	18,382
Gain on de-registration of a subsidiary	**3,265**	–
Gain on disposal of an associate	**–**	5,401
Others	**1,426**	91
	309,702	406,648

6. PROFIT BEFORE TAX

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

	2022 RMB'000	2021 RMB'000 Restated
Cost of services rendered for service concession arrangements	2,492,830	3,177,045
Cost of other services provided	310,310	207,874
Cost of inventories sold	398,212	375,489
Depreciation*		
– Property, plant and equipment	49,198	39,794
– Right-of-use assets	14,807	11,619
Amortisation of other intangible assets*	155,384	88,567
Research and development costs	79,137	29,344
Lease payments not included in the measurement of lease liabilities*	6,786	8,253
Auditor's remuneration		
– Audit services	4,108	3,505
– Non-audit services	1,288	1,369
Employee benefit expense (excluding directors' emoluments (note 8)):		
Wages and salaries	156,127	173,986
Pension scheme contributions	47,704	47,578
Foreign exchange differences, net	222,895	61,299
Impairment of financial and contract assets, net:		
Impairment of trade receivables	26,280	18,375
Impairment of financial assets included in prepayments, other receivables and other assets	893	–
Impairment of concession financial assets and relevant contract assets	37,162	7,262
Write-down of assets classified as held for sale to fair value#	7,960	28,879
Impairment of property, plant and equipment#	98,175	26,632
Impairment of inventories	187	1,154
Impairment of goodwill#	30,617	6,766
Impairment of other intangible assets#	97,100	63,731
Gain on fair value change of derivatives financial instruments	(118,796)	–
Gain on termination of a service concession arrangement	(17,562)	(18,382)
Loss/(gain) on disposal of items of property, plant and equipment	133	(3,041)
(Gain)/loss on de-registration of subsidiaries	(3,265)	7,550

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

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

7. FINANCE COSTS

	Notes	2022 *RMB'000*	2021 *RMB'000* Restated
Interest on bank and other borrowings		**536,964**	436,218
Interest on notes payable		**–**	82,682
Interest on corporate bonds	35	**37,022**	36,985
Interest on lease liabilities	15	**1,904**	253
Total interest		**575,890**	556,138
Less: Interest capitalised		**43,182**	64,431
Others		**11,962**	16,144
		544,670	507,851

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:

	2022 *RMB'000*	2021 *RMB'000*
Fees	**855**	783
Other emoluments:		
Salaries, allowances and benefits in kind	**690**	4,889
Pension scheme contributions	**–**	–
	690	4,889
	1,545	5,672

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or as compensation for loss of office (2021: nil).

8. DIRECTORS' EMOLUMENTS *(Continued)*

(a) Independent non-executive directors

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

	2022 ***RMB'000***	2021 *RMB'000*
Mr. Pao Ping Wing	**285**	261
Mr. Cheng Kai Tai, Allen	**285**	261
Ms. Chen Yee Wah	**285**	261
	855	783

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

2022	**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	**–**	**–**	**–**	**–**	**–**
Mr. Li Fujing	**–**	**–**	**–**	**–**	**–**
Ms. Hao Chunmei^	**–**	**–**	**–**	**–**	**–**
Mr. Li Qingsong^^	**–**	**690**	**–**	**–**	**690**
	–	**690**	**–**	**–**	**690**

2021	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	–	1,693	–	–	1,693
Mr. Li Fujing	–	1,693	–	–	1,693
Mr. Xiao Yukun*	–	1,504	–	–	1,504
Ms. Hao Chunmei^	–	–	–	–	–
Mr. Li Qingsong^^	–	–	–	–	–
	–	4,890	–	–	4,890

* Mr. Xiao Yukun was appointed as an executive director of the Company on 4 March 2020, and resigned on 26 August 2021.

^ Ms. Hao Chunmei was redesignated as a non-executive director of the Company on 2 July 2021.

^^ Mr. Li Qingsong was appointed as an executive director and executive general manager of the Company on 26 August 2021.

Except Mr. Li Qingsong, other directors' fees (2021: 2 directors' fees) and other emoluments are absorbed by Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Beijing Capital Eco"), the intermediate holding company of the Company during the year ended 31 December 2022.

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 (2021: five) highest paid employees are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries, allowances and benefits in kind	**9,648**	8,376
Performance related bonuses	**3,136**	1,454
Pension scheme contributions	**234**	121
Others	**–**	–
	13,018	9,951

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

	Number of employees	
	2022	2021
HK$2,000,001 to HK$2,500,000	**1**	4
HK$2,500,001 to HK$3,000,000	**3**	1
HK$7,000,001 to HK$7,500,000	**1**	–
	5	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax was calculated at 10% (2021: 10%) on the interest income recognised by a subsidiary in Hong Kong from the discontinued operation.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Forty-five (2021: Thirty-nine) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Twenty (2021: Twenty-one) were exempted from PRC income taxes, whereas another Twenty-two (2021: sixteen) were entitled to a preferential tax of 12.5%, and another three (2021: two) were entitled to different preferential tax rates of 2.5%, 5%, 7.5%, 10% and 15%, respectively, for the year.

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

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 2022, 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 (2021: 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 RMB4,337,954,000 (2021: RMB2,443,016,000).

	2022 ***RMB'000***	2021 *RMB'000* Restated
Current – Hong Kong		
Charge for the year	**18,659**	49,923
Current – the PRC		
(Credit)/Charge for the year	**(5,008)**	120,614
Deferred (note 37)	**30,024**	112,488
Total tax charge for the year from continuing operations	**43,675**	283,025
Total tax charge for the year from a discontinued operation	**16,700**	4,693
Total tax charge for the year	**60,375**	287,718

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:

	Hong Kong *RMB'000*	*%*	Mainland China *RMB'000*	*%*	New Zealand *RMB'000*	*%*	Total *RMB'000*	*%*
2022								
Profit/(loss) before tax from continuing operations	(227,192)		382,780		–		155,588	
Profit before tax from a discontinued operation	2,603,395		–		354,735		2,958,130	
	2,376,203		382,780		354,735		3,113,718	
Tax at the statutory tax rate	392,073	16.5	95,695	25.0	99,326	28.0	587,094	18.9
Tax holiday or lower tax rates enacted by local authorities	–	–	(89,693)	(23.4)	–	–	(89,693)	(2.9)
Effect of withholding tax at 10% on the gain on disposal of the Group's PRC subsidiaries	5,716	0.2	–	–	–	–	5,716	0.2
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	12,943	0.5	–	–	–	–	12,943	0.4
Expenses not deductible for tax	14,048	0.6	10,401	2.7	–	–	(46,178)	(1.5)
Income not subject to tax	(439,329)	(18.5)	(24)	–	(70,627)	(19.9)	(439,354)	(14.1)
Utilisation of tax losses not recognised in prior years	–	–	(8,343)	(2.2)	–	–	(8,343)	(0.3)
Profit attributable to joint ventures and associates*	–	–	(1,545)	(0.4)	(11,999)	(3.4)	(13,544)	(0.4)
Tax losses not recognised	33,208	1.4	85,966	22.5	–	–	119,174	3.8
Adjustments in respect of current tax of previous periods	–	–	(67,441)	(17.6)	–	–	(67,441)	(2.2)
Tax charge at the Group's effective rate	18,659	0.8	25,016	6.5	16,700	4.7	60,375	1.9
Tax charge from continuing operations at the effective rate	18,659	0.8	25,016	6.5	–	–	43,675	1.4
Tax charge from a discontinued operation at the effective rate	–	–	–	–	16,700	4.7	16,700	0.5

10. INCOME TAX *(Continued)*

	Hong Kong *RMB'000*	*%*	Mainland China *RMB'000*	*%*	New Zealand *RMB'000*	*%*	Total *RMB'000*	*%*
2021								
Profit/(loss) before tax from continuing operations	(30,578)		931,736		–		901,158	
Loss before tax from a discontinued operation	–		–		(40,301)		(40,301)	
	(30,578)		931,736		(40,301)		860,857	
Tax at the statutory tax rate	(5,045)	16.5	232,934	25.0	(11,284)	28.0	216,601	25.2
Tax holiday or lower tax rates enacted by local authorities	–	–	(42,770)	(4.6)	–	–	(42,770)	(5.0)
Effect of withholding tax at 10% on the interest income from the Group's New Zealand subsidiaries	26,222	(85.8)	–	–	–	–	26,222	3.0
Expenses not deductible for tax	28,959	(94.7)	17,267	1.9	31,252	(77.5)	77,478	9.0
Income not subject to tax	(53,055)	(173.5)	–	–	–	–	(53,055)	(6.2)
Utilisation of tax losses not recognised in prior years	–	–	(14,468)	(1.6)	–	–	(14,468)	(1.7)
Profit attributable to joint ventures and associates*	–	–	(998)	(0.1)	(15,275)	37.9	(16,273)	(1.9)
Tax losses not recognised	29,141	(95.3)	80,819	8.7	–	–	109,961	12.8
Tax charge at the Group's effective rate	26,222	(85.8)	272,784	29.3	(4,693)	(11.6)	303,699	35.2
Tax charge from continuing operations at the effective rate	26,222	(85.8)	272,784	29.3	–	–	299,006	34.7
Tax charge from a discontinued operation at the effective rate	–	–	–	–	4,693	(11.6)	4,693	0.5

* The share of tax attributable to joint ventures and associates amounting to RMB18,726,000 (2021: RMB22,545,220) is included in "Share of profits of associates" in the consolidated statement of profit or loss, and "Share of profits of joint ventures" in the note 11.

11. DISCONTINUED OPERATION

On 31 March 2022, BCG NZ Investment Holding Limited ("BCG NZ"), a non-wholly-owned subsidiary of the Company, entered into an agreement and has conditionally agreed to sell its entire interest in Beijing Capital Group NZ Investment Holding Limited ("NZSPV"), which, together with its subsidiaries, operates the waste treatment and waste-to-energy business in New Zealand. The proposed transaction was completed on 30 September 2022. NZSPV and its subsidiaries (the "Disposal Group") were classified as a discontinued operation, and the New Zealand business is no longer included in the information for operating segments.

The results of the Disposal Group for the nine months ended 30 September 2022 and for the year ended 31 December 2021 are presented below:

	2022 ***RMB'000***	2021 *RMB'000* Restated
Revenue	**1,835,780**	2,506,661
Cost of sales	**(1,181,249)**	(1,744,859)
Other income and gains	**8,600**	5,093
Administrative expenses	**(235,365)**	(410,393)
Other expenses*	**(77,363)**	(57,289)
Finance costs	**(106,075)**	(394,067)
Share of profits of joint ventures	**42,853**	54,553
Profit before tax from the discontinued operation	**287,181**	(40,301)
Income tax (note 10)	**(16,700)**	(4,693)
Profit/(loss) after tax from the discontinued operation	**270,481**	(44,994)
Gain on disposal of the discontinued operation	**2,670,949**	–
Profit/(loss) for the year from the discontinued operation	**2,941,430**	(44,994)

* The Group incurred transaction costs of RMB67,554,000 for this disposal. The transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss of the discontinued operation.

11. DISCONTINUED OPERATION *(Continued)*

	Notes	30 September 2022 *RMB'000*
Assets		
Property, plant and equipment	14	1,801,671
Right-of-use assets	15	1,196,776
Goodwill	16	1,803,279
Other intangible assets	17	1,089,017
Investments in joint ventures		357,997
Trade receivables		241,942
Prepayments, other receivables and other assets		81,925
Inventories		26,762
Tax recoverable		13,067
Cash and cash equivalents		90,267
Others		8,930
Liabilities		
Trade payables		(74,958)
Other payables and accruals		(3,380,663)
Lease liabilities	15	(1,273,070)
Tax payable		–
Deferred tax liabilities	37	(262,719)
Provisions	36	(166,560)
Derivative financial instruments		(154)
Net assets directly associated with the discontinued operation		1,553,509
Reclassification adjustments for a foreign operation disposed of during the year		379,709
Other exchange fluctuation reserve		3,587
Gain on disposal of the discontinued operation		2,670,949
Satisfied by:		
Cash		4,560,059
Cash consideration recorded in other receivables		47,695

11. DISCONTINUED OPERATION *(Continued)*

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

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

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

	2022 **RMB'000**	2021 *RMB'000*
Operating activities	**401,346**	635,400
Investing activities	**(152,892)**	(225,075)
Financing activities	**(277,724)**	(399,676)
Effect of foreign exchange rate changes	**(2,803)**	(10,523)
Net cash (outflow)/inflow	**(32,073)**	126
Earnings/(losses) per share:		
Basic and diluted from the discontinued operation	**RMB10.49 cents**	RMB(0.16) cents

The calculation of basic earnings per share from the discontinued operation for the nine months ended 30 September 2022 and for the year ended December is based on:

	2022 **RMB'000**	2021 *RMB'000*
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**1,500,129**	(22,947)

	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 13)	**14,294,733,167**	14,294,733,167

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

12. DIVIDENDS

The Board has recommended the payment of a special dividend of HK$1 cent per share for the year ended 31 December 2022 (2021: nil), subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2021: 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 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**128,533**	533,693
From a discontinued operation	**1,500,129**	(22,947)
	1,628,662	510,746

	Number of shares	
	2022	2021
Shares		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

14. PROPERTY, PLANT AND EQUIPMENT

	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 2022								
At 31 December 2021 and at 1 January 2022								
Cost	**159,459**	**563,130**	**399,647**	**1,383,925**	**773,414**	**114,206**	**410,538**	**3,804,319**
Accumulated depreciation	**–**	**(285,271)**	**(64,890)**	**(606,106)**	**(344,238)**	**(37,689)**	**–**	**(1,338,194)**
Accumulated impairment	**–**	**–**	**–**	**–**	**–**	**–**	**(26,632)**	**(26,632)**
Net carrying amount	**159,459**	**277,859**	**334,757**	**777,819**	**429,176**	**76,517**	**383,906**	**2,439,493**
At 1 January 2022, net of accumulated depreciation	**159,459**	**277,859**	**334,757**	**777,819**	**429,176**	**76,517**	**383,906**	**2,439,493**
Additions	**–**	**(34,840)**	**25,395**	**30,790**	**8,513**	**568**	**223,373**	**253,799**
Disposals	**–**	**–**	**–**	**(16,638)**	**(1,014)**	**–**	**(15,888)**	**(33,540)**
Reclassification to assets held for sale (note 29)	**(153,972)**	**(246,554)**	**(33,585)**	**(500,576)**	**(421,363)**	**(68,722)**	**(376,899)**	**(1,801,671)**
Depreciation provided during the year*	**(5)**	**(13,035)**	**(4,346)**	**(63,649)**	**(27,687)**	**(2,513)**		**(111,235)**
Impairment	**–**				**(88,700)**	**–**	**(9,475)**	**(98,175)**
Transfers	**3,175**	**30,706**	**5,144**	**80,341**	**64,258**	**206**	**(184,124)**	**(294)**
Exchange realignment	**(8,657)**	**(14,136)**	**(1,896)**	**(27,886)**	**(23,260)**	**(3,893)**	**(20,893)**	**(100,621)**
At 31 December 2022, net of accumulated depreciation	**–**	**–**	**325,469**	**191,501**	**28,623**	**2,163**	**–**	**547,756**
At 31 December 2022:								
Cost	**–**	**–**	**346,312**	**386,426**	**62,320**	**14,744**	**36,107**	**845,909**
Accumulated depreciation	**–**	**–**	**(20,843)**	**(106,225)**	**(33,697)**	**(12,581)**	**–**	**(173,346)**
Accumulated impairment	**–**	**–**	**–**	**(88,700)**	**–**	**–**	**(36,107)**	**(124,807)**
Net carrying amount	**–**	**–**	**325,469**	**191,501**	**28,623**	**2,163**	**–**	**547,756**
31 December 2021								
At 31 December 2020 and at 1 January 2021								
Cost	179,238	593,791	281,139	1,278,868	711,861	124,296	708,767	3,877,960
Accumulated depreciation	–	(257,997)	(83,412)	(575,117)	(320,163)	(37,042)	–	(1,273,731)
Net carrying amount	179,238	335,794	197,727	703,751	391,698	87,254	708,767	2,604,229
At 1 January 2021, net of accumulated depreciation	179,238	335,794	197,727	703,751	391,698	87,254	708,767	2,604,229
Additions	–	(10,417)	3,167	23,831	14,620	1,690	365,849	398,740
Disposals	(2,132)	–	(616)	(1,429)	(1,872)	(19)	(2,371)	(8,439)
Acquisition of a subsidiary	–	–	–	23	648	–	–	671
Reclassification to assets held for sale	(3,373)	–	(32,825)	(11,577)	(965)	(91)	(113)	(48,944)
Depreciation provided during the year*	–	(51,054)	(16,230)	(140,398)	(86,605)	(6,793)	–	(301,080)
Impairment	–	–	–	–	–	–	(26,632)	(26,632)
Transfers	–	29,067	186,928	248,423	145,351	1,128	(629,603)	(18,706)
Exchange realignment	(14,274)	(25,531)	(3,394)	(44,805)	(33,699)	(6,652)	(31,991)	(160,346)
At 31 December 2021, net of accumulated depreciation	159,459	277,859	334,757	777,819	429,176	76,517	383,906	2,439,493
At 31 December 2021:								
Cost	159,459	563,130	399,647	1,383,925	773,414	114,206	410,538	3,804,319
Accumulated depreciation	–	(285,271)	(64,890)	(606,106)	(344,238)	(37,689)	–	(1,338,194)
Accumulated impairment	–	–	–	–	–	–	(26,632)	(26,632)
Net carrying amount	159,459	277,859	334,757	777,819	429,176	76,517	383,906	2,439,493

* The depreciation provided during the year of RMB62,037,000 was charged in the discontinued operation (2021: RMB261,286,000).

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

The Group has pledged buildings with a net book value of RMB16,425,000 (2021: RMB17,584,000) to secure the borrowings granted to the Group.

The impairment of the construction in progress is in relation to the discontinuance decision of the Wuzhong Capital Solid Environment Technology Limited（吳忠首拓環境科技有限公司）, Luoyang Capital Solid Environment Services Co., Ltd.（洛陽首拓環境服務有限公司）and Mianyang Lubo Lubricant Co., Ltd（綿陽路博潤滑油脂有限公司）, which were all engaged in hazardous waste treatment.

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 3 years as at 31 December 2022 (31 December 2021: between 1 and 51 years). Leases of plant and machinery generally have lease terms between 1 and 30 years, while motor vehicles generally have lease terms between 1 and 5 years. Other equipment 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 lease liabilities (included within "interest-bearing bank and other borrowings"), and the movement during the period are as follow:

	Leasehold land**	Buildings***	Plant and machinery	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	113,930	1,302,163	619	14,266	1,430,978
Additions	–	333,861	–	6,264	340,125
Depreciation charge*	(2,793)	(61,085)	(202)	(6,706)	(70,786)
Reassessment of a lease term arising from a decision to modify the exercise the extension option	–	(240,711)	–	–	(240,711)
Reclassification to assets held for sale	(40,333)	–	–	–	(40,333)
Exchange realignment	–	(107,368)	(39)	(1,135)	(108,542)
As at 31 December 2021 and 1 January 2022	**70,804**	**1,226,860**	**378**	**12,689**	**1,310,731**
Additions	**–**	**64,635**	**–**	**2,427**	**67,062**
Depreciation charge*	**(1,791)**	**(23,555)**	**(46)**	**(1,550)**	**(26,942)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	**1,561**	**–**	**–**	**1,561**
Reclassification to assets held for sale (note 29)	**–**	**(1,183,612)**	**(313)**	**(12,851)**	**(1,196,776)**
Exchange realignment	**–**	**(66,547)**	**(19)**	**(715)**	**(67,281)**
As at 31 December 2022	**69,013**	**19,342**	**–**	**–**	**88,355**

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

* The depreciation provided during the year of RMB12,135,000 (2021: RMB59,167,000) was charged in the discontinued operation.

** The amounts represent land use rights located in the PRC and are depreciated to profit or loss over the term of the relevant rights of 50 years. The Group has pledged leasehold land with a net book value of RMB41,114,000 (2021: RMB37,537,000) to secure the borrowings granted to the Group.

*** Included in leased buildings is a property lease located in Beijing, the PRC. The property serves as the head office of CEHL Group. The lease arrangement commenced on 1 January 2022 considering that the whole head office of CEHL Group had moved into this building. The lease agreement has not been signed as at 31 December 2022 and expects to be signed within 2023. We estimate the rental fees in accordance with a quoted price by the lessor that is competent with the comparable rental market price. The expected lease terms is 3 years.

(b) Lease liabilities

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

	2022 *RMB'000*	2021 *RMB'000*
Carrying amount at 1 January	**1,319,706**	1,365,132
New leases	**67,062**	340,125
Accretion of interest recognised during the year*	**45,561**	65,683
Payments	**(55,615)**	(96,012)
Reassessment of a lease term arising from a decision to modify the extension option	**–**	(240,711)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**1,561**	–
Reclassification to liabilities directly associated with held for sale (note 29)	**(1,273,070)**	
Exchange realignment	**(71,580)**	(114,511)
Carrying amount at 31 December	**33,625**	1,319,706
Analysed into:		
Current portion	**33,625**	75,471
Non-current portion	**–**	1,244,235

* The accretion of interest recognised during the year of RMB43,657,000 (2021: RMB65,430,000) was charged in the discontinued operation

The maturity analysis of lease liabilities is disclosed in note 50 to the consolidated financial statements.

15. LEASES *(Continued)*

The Group as a lessee *(Continued)*

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

	2022 *RMB'000*	2021 *RMB'000*
Interest on lease liabilities*	**45,561**	65,683
Depreciation charge of right-of-use assets	**26,942**	70,786
Expense relating to short-term leases **	**16,389**	15,701
Expense relating to leases of low-value assets**	**5,154**	6,759
Variable lease payments not included in the measurement of lease liabilities**	**1,089**	1,839
Total amount recognised in profit or loss	**95,135**	160,768

* Interest on lease liabilities of RMB43,657,000 was from the discontinued operation (2021: RMB65,430,000).

** Among which of RMB15,846,000 in total was recognised in the discontinued operation (2021: RMB16,046,000).

(d) The total cash outflow for leases is disclosed in note 43(c) to the consolidated financial statements.

16. GOODWILL

	RMB'000
At 1 January 2021:	
Cost	3,023,769
Accumulated impairment	(906,564)
Net carrying amount	2,117,205
Cost at 1 January 2021, net of accumulated impairment	2,117,205
Impairment during the year	(6,766)
Exchange realignment	(168,646)
At 31 December 2021	1,941,793
Cost	2,855,123
Accumulated impairment	(913,330)
Net carrying amount	1,941,793
Cost at 1 January 2022, net of accumulated impairment	**1,941,793**
Reclassification to assets held for sale (note 29)	**(1,803,279)**
Impairment during the year	**(30,617)**
Exchange realignment	**(101,842)**
Cost and net carrying amount at 31 December 2022	**6,055**
At 31 December 2022:	
Cost	**43,438**
Accumulated impairment	**(37,383)**
Net carrying amount	**6,055**

Impairment testing of goodwill

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

- Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司, "Zhejiang Zhuoshang"), which principally engages in the recycling and waste treatment business in Mainland China; and
- Mianyang Lubo, which principally engages in the hazardous waste treatment business in Mainland China.
- Wuzhong Capital Solid Environment Technology Limited (吳忠首拓環境科技有限公司, "Wuzhong Shoutuo"), which principally engages in the hazardous waste treatment business in Mainland China

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 13.5% (2021: 13.5%).

Wuzhong Shoutuo

The recoverable amount of the cash-generating unit has been determined based on fair value less costs of disposal based on the estimated disposal price considering the market inquiry result. As the fair value less costs of disposal would be less than the carrying amount of the cash-generating unit, the carrying amount of goodwill related to Wuzhong Shoutuo has been fully impaired.

Mianyang Lubo

The recoverable amount of the cash-generating unit has been determined based on fair value less costs of disposal based on the estimated disposal price considering the preliminary negotiation result. As the fair value less costs of disposal would be less than the carrying amount of the cash-generating unit, the carrying amount of goodwill related to Mianyang Lubo has been fully impaired since 31 December 2021.

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

	2022 ***RMB'000***	2021 *RMB'000*
BCG NZ Group	**–**	1,905,121
Zhejiang Zhuoshang	**6,055**	6,055
Wuzhong Shoutuo	**–**	30,617
	6,055	1,941,793

Wuzhong Shoutuo use fair value less costs of disposal to determine the recoverable amount as at 31 December 2022. Assumptions were used in the value-in-use calculation of the cash-generating units with allocated goodwill of Zhejiang Zhuoshang for 31 December 2022 and 31 December 2021. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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 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 *RMB'000*	Service concession arrangements *RMB'000*	Licenses and franchises *RMB'000*	Trade names and trademarks *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2022						
Cost at 1 January 2022, net of accumulated amortisation	**68,923**	**3,757,383**	**345,315**	**675,142**	**77,362**	**4,924,125**
Additions	**–**	**166,159**	**–**	**–**	**49**	**166,208**
Transfer from contract assets	**–**	**315,344**	**–**	**–**		**315,344**
Transfer from construction in progress	**–**	**–**	**–**	**–**	**294**	**294**
Reclassification to assets held for sale (note 29)	**(62,774)**	**–**	**(320,076)**	**(639,051)**	**(67,116)**	**(1,089,017)**
Amortisation provided during the year*	**(2,572)**	**(154,637)**	**(7,076)**	**–**	**(3,445)**	**(167,730)**
Impairment during the year	**–**	**(97,100)**	**–**	**–**	**–**	**(97,100)**
Exchange realignment	**(3,577)**	**–**	**(18,163)**	**(36,091)**	**(3,820)**	**(61,651)**
At 31 December 2022	**–**	**3,987,149**	**–**	**–**	**3,324**	**3,990,473**
At 31 December 2022:						
Cost	**–**	**4,553,463**	**16,024**	**–**	**5,477**	**4,574,964**
Accumulated amortisation and impairment	**–**	**(566,314)**	**(16,024)**	**–**	**(2,153)**	**(584,491)**
Net carrying amount	**–**	**3,987,149**	**–**	**–**	**3,324**	**3,990,473**
31 December 2021						
Cost at 1 January 2021, net of accumulated amortisation	86,363	1,972,735	408,678	734,907	73,572	3,276,255
Additions	–	2,130	–	–	2,539	4,669
Transfer from contract assets	–	1,987,369	–	–	–	1,987,369
Transfer from construction in progress	–	–	–	–	18,706	18,706
Amortisation provided during the year	(11,021)	(86,262)	(31,921)	–	(11,109)	(140,313)
Disposals	–	(38,065)	–	–	(92)	(38,157)
Disposal of a subsidiary		(16,793)	–	–	–	(16,793)
Impairment during the year	–	(63,731)	–	–	–	(63,731)
Exchange realignment	(6,419)	–	(31,442)	(59,765)	(6,254)	(103,880)
At 31 December 2021	68,923	3,757,383	345,315	675,142	77,362	4,924,125
At 31 December 2021:						
Cost	144,604	4,076,695	573,365	675,142	118,884	5,588,690
Accumulated amortisation and impairment	(75,681)	(319,312)	(228,050)	–	(41,522)	(664,565)
Net carrying amount	68,923	3,757,383	345,315	675,142	77,362	4,924,125

* The amortisation provided during the year of RMB12,346,000 was charged in a discontinued operation (2021: RMB51,746,000) in note 11.

17. OTHER INTANGIBLE ASSETS *(Continued)*

As at 31 December 2022, 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 2022 *RMB'000*	Balance as at 31 December 2021 *RMB'000*
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)*	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	219 million kWh	395,239	353,557
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 (福州市紅廟嶺厨餘垃圾處理廠)	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	21 million kWh	303,354	307,683
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	Qixian Biomass straw incineration for power generation Project (杞縣生物質秸秆焚燒發電項目)	Qixian, Kaifeng, Henan	Qixian City Administration (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	192 million kWh	263,301	257,693
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	Lushan Biomass cogeneration Project (魯山縣生物質熱電聯產項目)	Lushan, Pingdingshan, Henan	Lushan Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	158 million kWh	262,919	273,031
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	250,000	246,003
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	Xiaoshan Kitchen Waste Treatment Plant (蕭山厨餘垃圾處理廠)	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	14 million kWh	242,014	248,578
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	Suichuan Solid Waste Incineration Power Generation Plant (遂川縣生活垃圾焚燒發電處理項目)	SuiChuan, Jian, Jiangxi	Suichuan Urban Management and Comprehensive Law Enforcement (遂川縣城市管理綜合執法局)	27 years after obtaining the approval for construction	600 tonnes	86 million kWh	236,461	205,540
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)*	Shenzhou Solid Waste Incineration Power Generation Plant PPP Project (深州市生活垃圾焚燒發電工程PPP項目)	Shenzhou, Hebei	Shenzhou Housing and Urban-Rural Construction Commission (深州市住房和城鄉建設局)	30 years after obtaining the approval for commercial operation	800 tonnes	96 million kWh	194,322	195,910
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	170,570	174,942
Lushan Capital Environment Energy Co., Ltd. (魯山首創環保能源有限公司)*	Lushan Solid Waste Incineration Power Generation Plant (魯山生活垃圾焚燒發電項目)	Lushan, Pingdingshan, Henan	Lushan Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	70 million kWh	164,160	169,698
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	151,509	175,689
Yangzhou Capital Environmental Protection Energy Co., Ltd 揚州首創環保能源有限公司	Yangzhou City kitchen waste centralized collection and transportation (揚州市餐廚廢棄集中收運)	Jiangsu Yangzhou	Yangzhou City Administration 揚州市城市管理局	28 years after obtaining the approval for commercial operation	200 tonnes	N/A	148,197	153,861
Others							1,205,103	995,198
							3,987,149	3,757,383

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

17. OTHER INTANGIBLE ASSETS *(Continued)*

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 22.

There are intangible assets, licenses and franchises and trade names and trademarks, with indefinite useful lives, of the Disposal Group, amounting to RMB122,504 and RMB675,142 as at 31 December 2021, separately. With the New Zealand business being classified as held-for-sale and has been disposed this year, there is no intangible assets with indefinite useful life as at 31 December 2022.

Impairment testing of intangible assets in relation to service concession arrangements

The recoverable amount of intangible assets in relation to service concession arrangements of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering its concession periods. The cash-generating unit impaired during the year was in relation to Beijing Shoujian Environment Protection Company Limited（北京首建環保有限責任公司）, Xihua Capital Environment Resources Limited（西華首創環保能源有限公司）,and Ningbo Capital Environment Kitchen Waste Treatment Company Limited（寧波首創厨餘垃圾處理有限公司）. The total recovery amounts were RMB367,695,000 at 31 December 2022. The pre-tax discount rates applied to the cash flow projections range from 11% to 13.5%.

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

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

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

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

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

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

18. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	–	250,425
Goodwill on acquisition	–	151,283
	–	401,708

There were no joint ventures as at 31 December 2022 following disposal of the discontinued operation.

The following table illustrates the aggregate financial information of the Group's joint ventures:

	2022 RMB'000	2021 RMB'000
Share of the joint ventures' profit for the year	42,853	54,553
Share of the joint ventures' other comprehensive income	(23,205)	(14,835)
Share of the joint ventures' total comprehensive income	19,648	39,718
Aggregate carrying amount of the Group's investments in the joint ventures	–	401,708

19. INVESTMENT IN A JOINT OPERATION

There was no joint operation as at 31 December 2022 with disposal of the discontinued operation.

The following table illustrates the aggregate financial information of the Group's joint operation:

	2022 RMB'000	2021 RMB'000
Share of the joint operation's revenue	57,104	70,915
Share of the joint operation's expenses	(30,596)	(37,302)
Share of the joint operation's profit before tax	26,508	33,613
Cash received	14,916	29,673

20. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	42,164	40,406

No loans from associates were included in the Group's current liabilities (2022: nil).

20. INVESTMENTS IN ASSOCIATES *(Continued)*

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 activities
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

Group has reached a liquidation resolution with Beijing Lanjie shareholders, and clearing process in progress during this year. The management of the Group expected the liquidation of Beijing Lanjie will be settled in 2023.

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

The investment was in relation to an equity investment in an unlisted company, Beijing Yiqing Biomax Green Energy Park Company Limited (北京市一清百瑪士綠色能源有限公司). The fair value of the asset was RMB7,001,000 (31 December 2021: RMB16,665,000).

22. CONCESSION FINANCIAL ASSETS

	2022 **RMB'000**	2021 RMB'000
Concession Financial Assets	**8,659,064**	6,933,807
Impairment	**(43,857)**	(5,746)
	8,615,207	6,928,061
Analysed for reporting purposes as:		
Current assets	**1,432,800**	1,131,642
Non-current assets	**7,182,407**	5,796,419
	8,615,207	6,928,061

22. CONCESSION FINANCIAL ASSETS *(Continued)*

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

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.56% for both the year ended 31 December 2022 and the year ended 31 December 2021.

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

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the Grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2022, the probability of default applied ranging from 0.06% to 1.19% (2021: 0.08% to 2.03%) and the loss given default was estimated to be 45% (2021: 45%), which led to an impairment of RMB38,111,000 (2021: RMB5,746,000) recognised during the year.

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

The Group recognised revenue from construction services of RMB1,367,213,000 (2021: RMB3,168,203,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB1,586,308,000 (2021: RMB1,006,158,000) for all the service concession arrangements of the Group (note 5). The gross profits recognised from construction services amounted to RMB350,477,000 (2021: RMB773,920,000) and the gross profits recognised from operation services amounted to RMB393,453,000 (2021: RMB305,850,000) for all the service concession arrangements of the Group.

22. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2022, 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 2022 *RMB'000*	Balance as at 31 December 2021 *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	1,173,934	1,204,896
Nanchang Capital Environment Energy Co., Ltd. （南昌首創環保能源有限公司）	Nanchang Solid Waste Incineration Power Generation Plant Phase II （南昌市垃圾焚燒發電廠-二期）	Quanling, Nanchang	Nanchang City Environment Administration （南昌市市環境管理局）	October 2022 to September 2049 (28 years)	1,200 tonnes	131 million kWh	869,742	–
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	515,086	522,516
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	514,300	488,966
Xiangxi Capital Environmental Energy Co., Ltd. （湘西自治州首創環保有限公司）	Jishou Solid Waste Incineration Power Generation Plant （吉首市生活垃圾焚燒發電處理項目）	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration （吉首市公用事業管理局）	28 years after obtaining the approval for construction	851 tonnes	120 million kWh	421,518	–
Xinxiang Capital Solid Environmental Energy Limited （新鄉市首創環境能源有限公司）	Xinxiang Solid Waste Treatment Project （新鄉市生活垃圾處理服務項目）	Xinxiang, Henan	Xinxiang City Administration （新鄉市城市管理局）	25 years after obtaining the approval for commercial operation	1,500 tonnes	219 million kWh	392,990	467,012
Qianjiang Capital Bolang Green Energy Limited （潛江首創博朗綠色能源有限公司）	Qianjiang Solid Waste Incineration Power Generation Project （潛江市生活垃圾焚燒發電項目）	Qianjiang, Hubei	Qianjiang City Administration （潛江市城市管理行政執法局）	April 2016 to April 2046	900 tonnes	83 million kWh	336,657	310,493
Duyun Capital Environment Company Limited （都勻市首創環保有限公司）	Duyun Solid Waste Incineration Power Generation Plant （都勻市生活垃圾焚燒發電廠）	Duyun, Guizhou	Duyun People's Government （都勻市人民政府）	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	333,206	347,380
Qixian Capital Environmental Energy Company Limited （杞縣首創環保能源有限公司）	Qixian Solid Waste Incineration Power Generation Plant （杞縣生活垃圾焚燒發電項目）	Qixian, Kaifeng	Qixian Urban Management Bureau （杞縣城管局）	28 years after obtaining the approval for commercial operation	600 tonnes	83 million kWh	312,060	–
Tanghe Capital Environmental Energy Co., Ltd. （唐河首創環保能源有限公司）	Tanghe Solid Waste Incineration Power Generation Plant （唐河生活垃圾焚燒發電處理項目）	Tanghe, Nanyang	Tanghe Urban Management Bureau （唐河縣城市管理局）	30 years after obtaining the approval for construction	700 tonnes	96 million kWh	300,527	–
Zhengyang Capital Environmental Energy Company Limited （正陽首創環保能源有限公司）	Zhengyang Solid Waste Incineration Power Generation Project （正陽縣生活垃圾焚燒發電項目）	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement （正陽縣城市管理綜合執法局）	30 years after obtaining the approval for commercial operation	600 tonnes	53 million kWh	294,226	299,731
Duchang Capital Environment Energy Co., Ltd. 都昌首創環保能源有限公司	Duchang Solid Waste Incineration Power Generation Plant （都昌生活垃圾焚燒發電項目）	Duchang, Jiujiang, Jiangxi	Duchang People's Government （都昌縣人民政府）	26 years after obtaining the approval for construction	800 tonnes	96 million kWh	280,335	232,518
Others*							2,870,626	3,054,549
							8,615,207	6,928,061

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

23. CONTRACT ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Contract assets arising from:		
Construction services	**1,881,634**	2,777,197
Electricity generation	**244,138**	140,323
Others	**106,253**	–
Impairment	**(567)**	(1,516)
	2,231,458	2,916,004
Analysed into:		
Current assets	**405,346**	208,820
Non-current assets	**1,826,112**	2,707,184
	2,231,458	2,916,004

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

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

Contract assets arising from electricity generation mainly represented government on-grid tariff subsidies for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. The expected timing of completion is within one year.

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

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**1,881,067**	2,775,681
Total contract assets	**1,881,067**	2,775,681

23. CONTRACT ASSETS *(Continued)*

As at 31 December 2022, the probability of default applied ranging from 0.06% to 1.19% (2021: 0.08% to 2.03%) and the estimated loss given default of 45% (2021: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. The impairment of RMB949,000 have been written off during the year (2021: recognition of RMB1,516,000).

In the opinion of the directors, contract assets arising from electricity generation are with no impairment as the debtor is the Ministry of Finance of the People's Republic of China, which is with a high reputation, and loss from credit risk exposure has never occurred for these contract assets in history.

As at 31 December 2022, 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 2022 *RMB'000*	Balance as at 31 December 2021 *RMB'000*
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	242 million kWh	**1,070,775**	474,949
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	1,600 tonnes	280 million kWh	**351,130**	–
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	Nanle County Domestic Waste Incineration Power Generation Project (南樂縣生活垃圾焚燒發電項目)	Nanle, Puyang City	Nanle County Housing and Urban-Rural Development Bureau (南樂縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	310 million kWh	**329,406**	–
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PPP project of domestic waste incineration power plant in Pu'er city center (普洱市中心城區生活垃圾焚燒發電廠PPP項目)	Simao, Puerfif	Pu'er Simao District Housing and Urban-Rural Development Bureau (普洱市思茅區住房和城鄉建設局)	30 years after obtaining the approval for construction	800 tonnes	300 million kWh	**112,536**	–
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠–二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	131 million kWh	**–**	832,766
Xiangxi Capital Environmental Energy Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi, Hunan	Jishou Public Utilities Administration (吉首市公用事業管理局)	28 years after obtaining the approval for construction	851 tonnes	120 million kWh	**–**	500,323
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng, Henan	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	83 million kWh	**–**	295,438
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)	Tanghe Solid Waste Incineration Power Generation Plant (唐河生活垃圾焚燒發電處理項目)	Tanghe, Nanyang, Henan	Tanghe Urban Management Bureau (唐河縣城市管理局)	30 years after obtaining the approval for construction	700 tonnes	96 million kWh	**–**	232,277
Other							**17,220**	439,928
							1,881,067	2,775,681

24. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2022 RMB'000	2021 RMB'000
Advances to suppliers		**92,766**	183,027
Value-added tax receivables		**580,283**	672,988
Loans receivable		**5,024**	5,003
Prepayments for emission units		**–**	52,735
Tender deposits		**213,642**	188,803
New Zealand adjusted prices	(a)	**47,695**	–
Deposit for tax review		**–**	25,446
Disposal receivable	(b)	**111,069**	117,166
Others		**84,993**	72,028
		1,135,472	1,317,196
Analysed into:			
Current assets		**1,020,784**	1,157,724
Non-current assets		**114,688**	159,472
		1,135,472	1,317,196

Notes:

(a) BCG NZ completed disposal of the discontinued operation, according to the equity transaction agreement, the final settlement price was adjusted according to the results of the settlement audit, and the delivery settlement audit was completed in January 2023, requiring the other party to pay the final settlement adjustment of RMB4,769,500.

(b) The amount was mainly in relation to the termination of a service concession arrangement, resulting in a receivable due from Shangrao Chengtou Energy Group Co., Ltd. (上饒市城投能源環保有限公司) amounting to RMB35,567,000. In addition, Huludao Kangda Jincheng Environmental Management Co., Ltd. (葫蘆島康達錦程環境治理有限公司) terminated its landfill concession business at the end of July 2022, and the early termination compensation paid by the Huludao municipal government was RMB75,502,000, which will be recovered in June 2023 according to the agreement.

25. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**55,786**	44,719
Finished goods	**9,444**	21,722
	65,230	66,441

26. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**1,855,352**	1,668,803
Impairment	**(53,392)**	(30,157)
	1,801,960	1,638,646
Analysed into:		
Current assets	**1,694,538**	1,444,970
Non-current assets	**107,422**	193,676
	1,801,960	1,638,646

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:

	2022 RMB'000	2021 RMB'000
0 to 90 days	**812,904**	817,594
91 to 180 days	**223,526**	171,264
Over 180 days	**765,530**	649,788
	1,801,960	1,638,646

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**30,157**	18,614
Impairment losses from continuing operations (note 6)	**26,280**	37,793
Impairment losses from the discontinued operation	**4,183**	–
Amount written off as uncollectible	**(1,195)**	(25,798)
Exchange realignment	**(6,015)**	(452)
Disposal of the discontinued operation	**(18)**	–
	53,392	30,157

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 except those due from the Ministry of Finance of the PRC are written off if the ageing is more than three years and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022, 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 RMB239,622,000 (2021: RMB261,126,000). Included in the government dismantling tariffs are balances amounting to RMB239,622,000 (2021: RMB231,567,000) 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 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:

		Past due			
As at 31 December 2022	**Current**	**Less than 1 month**	**1 to 3 months**	**Over 3 months**	**Total**
Expected credit loss rate	**1.80%**	**4.33%**	**10.10%**	**39.22%**	**3.30%**
Gross carrying amount (RMB'000)	**1,407,651**	**96,202**	**68,802**	**43,075**	**1,615,730**
Expected credit losses (RMB'000)	**25,384**	**4,166**	**6,948**	**16,894**	**53,392**

		Past due			
As at 31 December 2021	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.35%	0.66%	0.88%	11.43%	2.14%
Gross carrying amount (RMB'000)	1,080,017	59,600	44,432	223,628	1,407,677
Expected credit losses (RMB'000)	3,821	392	390	25,554	30,157

27. AMOUNTS DUE FROM ASSOCIATES

The balance of RMB1,945,000 due from Beijing Lanjie as at 31 December 2021 was settled during this year.

There is no balance in the account as of 31 December 2022 (31 December 2021: RMB1,954,000) represented the loans and interest receivables due from Beijing Lanjie.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	**2022** **RMB'000**	2021 RMB'000
Cash and bank balances		**1,545,032**	1,710,491
Time deposits		**5,000**	10,000
		1,550,032	1,720,491
Less:			
Pledged for a loan	(a)	**(3,278)**	(3,026)
Pledged for service concession arrangements	(b)	**(33,948)**	(34,720)
Cash and cash equivalents		**1,512,806**	1,682,745

Notes:

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

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

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,077,900,000 (2021: RMB1,342,920,000). 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.

29. ASSETS CLASSIFIED AS HELD FOR SALE

As for the disposal subsidiary disclosed in note 42, the disposal plan of 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, "Jiangsu Subei") as disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021, has been completed on 28 November 2022.

In accordance with HKFRS 5, assets held for sale with a carrying amount of RMB140,960,000 were written down to their fair value, resulting in a loss of RMB7,960,000(2021: RMB28,879,000), which was included in profit or loss for the period. The impairment as held for sale assets amount RMB36,839,000 at 28 November 2022.

As for the Disposal Group disclosed in note 11, NZSPV and its subsidiaries were classified as a disposal group held for sale on 1 April 2022, and the transaction of disposal was completed on 30 September 2022.

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:

	2022 ***RMB'000***	2021 *RMB'000*
0 to 90 days	**657,817**	1,263,743
91 to 180 days	**23,955**	16,166
Over 180 days	**1,104,383**	783,087
	1,786,155	2,062,996

There is no balance of trade payables due to joint ventures (2021: RMB448,000) and due to the other operator of Waste Disposal Services, a joint operation of the discontinued operation (2021: RMB2,800,000), 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	2022 RMB'000	2021 RMB'000
Contract liabilities	(a)	**30,027**	102,395
Accrued purchases		**34,777**	161,873
Interest payables	(b)	**33,870**	40,767
Amounts due to vendors of interests in subsidiaries/an associate	(c)	**19,605**	71,725
Loan from non-controlling shareholder of subsidiaries	(d)	**17,685**	–
Accrued professional fee		**15,297**	3,878
Other tax payable		**137,317**	62,303
Accrued payroll and severance payment		**27,667**	82,796
Accrued expenses (exclude professional fee)	(e)	**36,281**	–
Others		**59,901**	39,146
		412,427	564,883

Notes:

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

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

(c) The remaining equity payment for Zhumadian Tailai Environmental Protection Energy Co., Ltd. (駐馬店泰來環保能源有限公司) was paid in this year, amounting to RMB50,620,000.

(d) The amount represents the balance of a loan from the non-controlling shareholder of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司), Shicheng Capital Environment Limited (石城縣首創環保有限公司) and Fuzhou Capital Haihuan Environmental Technology Co., Ltd. (福州首創海環環保科技有限公司).

(e) The amount represents incentive fee payable to Citibank arising from the disposal of NZSPV. 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 2022. 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

	2022 Assets RMB'000	2022 Liabilities RMB'000	2021 Assets RMB'000	2021 Liabilities RMB'000
Electricity price swaps	–	–	1,766	–
Interest rate swaps	–	–	–	5,106
	–	–	1,766	5,106
Current portion:				
Electricity price swaps	–	–	1,766	–
Interest rate swaps	–	–	–	5,106

Cash flow hedge – Electricity price swaps

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 ranging from RMB302 per megawatt to RMB345 per megawatt with a notional amount of RMB1,712,000.

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.

The derivative financial instrument of electricity price swap was included in the Disposal Group and reclassified to held for sale.

Cash flow hedge – Interest rate swaps

At 31 December 2021, the Group had an interest rate swap agreement in place with a notional amount of HK$700 million whereby it receives interest at a variable annual rate based on HIBOR (HIBOR+1.4%) and pays interest at a fixed rate of 2.74% (1.34%+1.4%) on the notional amount. The swap is used to hedge the cash flow interest rate risk of the loan from The Hongkong and Shanghai Banking Corporation Limited with a maturity date of 20 November 2022.

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the floating rate loan (i.e., notional amount, maturity and payment). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to that of the hedged risk component. To measure the hedge effectiveness, the Group compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk.

33. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Cash flow hedge – Interest rate swaps *(Continued)*

The interest rate swap expired upon the repayment of principal amount of HK$700 million in November this year.

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 2022		
Highly probable forecast sales*	**(3,275)**	**(1,815)**
HK$700 million unsecured bank loan	**2,473**	**5,106**
As at 31 December 2021		
Highly probable forecast sales	(12,388)	18,228
HK$700 million unsecured bank loan	17	7,493

* The Balance of the derivative financial instrument on 30 September 2022 as further disclosure in "discontinued operation" above.

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			Hedge ineffectiveness recognised in profit or loss	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 *RMB'000*	Tax effect *RMB'000*	Total *RMB'000*	*RMB'000*		Gross amount *RMB'000*	Tax effect *RMB'000*	Total *RMB'000*	
As at 31 December 2022									
Highly probable forecast sales	**(3,275)**	**479**	**(2,796)**	**–**	**Other expenses**	**1,381**	**(400)**	**981**	**Other expenses**
HK$700 million unsecured bank loan	**2,473**	**–**	**2,473**	**–**	**Finance costs**	**2,633**	**–**	**2,633**	**Finance costs**
As at 31 December 2021									
Highly probable forecast sales	(12,388)	3,469	(8,919)	–	Other expenses	37,704	(10,557)	27,147	Other expenses
HK$700 million unsecured bank loan	17	–	17	–	Finance costs	7,475	–	7,475	Finance costs

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022			2021		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans – secured	3.70	2023	40,000	3.85	2022	20,000
Bank loans – unsecured	3.90-4.35	2023	69,900	1.45-5.00	2022	922,132
bank loans – secured	3.70-5.15	2023	342,310	1.52-5.15	2022	264,810
bank loans – unsecured	1.37-4.20	2023	26,085	1.37-1.68	2022	580,412
other loans – secured	3.46-6.15	2023	754,746	3.46-6.15	2022	241,732
other loans – unsecured			–	4.00	2022	1,930,940
			1,233,041			3,960,026
Non-current						
Other secured bank loans	3.70-5.15	2026-2038	5,461,408	1.52-5.15	2023-2038	6,317,784
Other unsecured bank loans	1.37-4.20	2024-2036	654,044	1.37-4.10	2023-2036	404,683
Other loans – secured	3.46-6.15	2023-2030	272,000	3.46-6.15	2023-2029	931,131
Other loans – unsecured	1.20-4.38	2024-2031	1,487,000	1.20-3.56	2024-2031	117,000
			7,874,452			7,770,598
Total			9,107,493			11,730,624

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	478,295	1,787,355
In the second year	477,589	358,272
In the third to fifth years, inclusive	1,628,661	3,325,594
Beyond five years	4,009,202	3,038,600
	6,593,747	8,509,821
Other borrowings repayable:		
Within one year	754,746	2,172,672
In the second year	46,963	743,700
In the third to fifth years, inclusive	1,613,470	225,044
Beyond five years	98,567	79,387
	2,513,746	3,220,803
	9,107,493	11,730,624

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

Notes:

(1) Bank loans of RMB293,640,000 as at 31 December 2022 (31 December 2021: RMB234,130,000) were guaranteed by the corporate guarantee of the Group.

(2) Bank loans of RMB677,154,000 as at 31 December 2022 (31 December 2021: RMB942,023,000) were secured by the service concession arrangements of the Group.

(3) Bank loans of RMB4,560,517,000 as at 31 December 2022 (31 December 2021: RMB3,163,366,000) were guaranteed by the corporate guarantee of the Group, and were secured by the service concession arrangements of the Group.

(4) A bank loan of RMB133,346,000 as at 31 December 2022 (31 December 2021: RMB158,346,000) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd（北京建工集團有限責任公司）.

(5) Other loan of RMB69,000,000 from CDM Fund as at 31 December 2022 (31 December 2021: RMB69,000,000) was secured by the service concession arrangement in Fuzhou Capital Haihuan Environmental Technology Co., Ltd（福州首創海環環保科技有限公司）.

(6) Bank loans of RMB179,061,000 as at 31 December 2022 (31 December 2021: RMB202,327,000) were guaranteed by a corporate guarantee of the Group, and were secured by the leasehold land and buildings with a carrying amount of RMB57,539,000 (31 December 2021: RMB55,121,000).

(7) Other loan of RMB29,682,000 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 2022 (31 December 2021: RMB47,990,000) 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）.

(8) Other loan of RMB228,064,000 from China Merchants Bank Financial Leasing Co., Ltd.（招銀金融租賃有限公司）as at 31 December 2022 (31 December 2021: RMB155,873,000) 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）and Renqiu Capital Environmental Treatment Co., Ltd（任丘首創環境治理有限公司）.

(9) Other loan of RMB700,000,000 from Ping An Asset Management Co., Ltd.（平安資產管理有限責任公司）as at 31 December 2022 (31 December 2021: RMB900,000,000) was guaranteed by a corporate guarantee of Beijing Capital Group.

As at 31 December 2022, the Group had undrawn borrowing facilities amounting to RMB3,236,955,000 (31 December 2021: RMB3,286,253,000).

As at 31 December 2022, the Group's bank and other loans of RMB2,377,598,000 were charged at fixed interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

35. CORPORATE BONDS

On 29 May 2020, the Company issued its first branch corporate bonds in an aggregate principal amount of RMB1 billion at par value, which is listed on the Shanghai Stock Exchange. The net proceeds after deducting the transaction costs of RMB3,000,000 and the initially paid guarantee fee of RMB5,000,000 were RMB992,000,000. The bonds bear interest from 29 May 2020 at 3.1% per annum payable annually in arrears on 29 May of each year, and are guaranteed by Beijing Capital Group with a guarantee fee based on 0.5% per annum of the principal amount. The maturity date of the bonds is 29 May 2025, while the bonds provide an option for the Company to adjust the coupon rate and a put option to the investors at the end of the third year. The Company's option to adjust the coupon rate and the investors' option to resale are closely related to the economic characteristics and risks of the bonds. Furthermore, the Company expected that these bonds may be redeemed on 29 May 2023.

35. CORPORATE BONDS *(Continued)*

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

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

	2022 ***RMB'000***	2021 *RMB'000*
Liabilities as at 1 January (Note)	**1,014,859**	1,013,874
Interest during the year	**37,022**	36,985
Interest paid during the year	**(36,000)**	(36,000)
	1,015,881	1,014,859
Less: Interest to be paid within one year	**(18,345)**	(18,345)
Liabilities as at 31 December	**997,536**	996,514
Analysed into:		
Current liabilities	**997,536**	–
Non-current liabilities	**–**	996,514
	997,536	996,514

Note: The balance includes the corporate bonds of RMB996,514,000 and interest of RMB18,345,000 which would be paid within one year as at 31 December 2021.

36. PROVISIONS

	2022 ***RMB'000***	2021 *RMB'000*
At 1 January	**217,813**	254,498
Amounts utilised during the year	**(8,782)**	(7,055)
Reassessment of closure and post-closure provision	**(34,840)**	(10,417)
Disposal of the discontinued operation (note 11)	**(166,560)**	–
Effect of time value adjustment	**2,290**	556
Exchange realignment	**(9,921)**	(19,769)
At 31 December	**–**	217,813

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. There were no provision as at 31 December 2022 following disposal of the discontinued operation.

37. DEFERRED TAX

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

	Property, plant and equipment RMB'000	Inventories RMB'000	Other intangible assets RMB'000	Service concession arrangements* RMB'000	Provisions RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2021	(119,740)	469	(361,579)	(376,916)	81,916	(363,899)	379,538	50,053	(710,158)
(Charged)/credited to profit or loss**	(45)	794	11,963	(165,339)	–	(14,950)	24,991	10,257	(132,329)
Credited to other comprehensive income	–	–	–	–	–	–	–	(7,088)	(7,088)
Acquisition of a subsidiary	–	–	–	(28,195)	–	–	–	–	(28,195)
Disposal of a subsidiary	–	–	–	5,079	–	–	–	–	5,079
Reclassification to assets held for sale	–	(903)	–	–	–	–	–	(10,611)	(11,514)
Exchange realignment	9,740	–	27,323	–	(6,662)	30,413	(32,235)	(2,375)	26,204
At 31 December 2021	(110,045)	360	(322,293)	(565,371)	75,254	(348,436)	372,294	40,236	(858,001)
At 1 January 2022	**(110,045)**	**360**	**(322,293)**	**(565,371)**	**75,254**	**(348,436)**	**372,294**	**40,236**	**(858,001)**
(Charged)/credited to profit or loss**	**917**	**(91)**	**8,136**	**(68,484)**	**–**	**(2,901)**	**11,510**	**34,946**	**(15,967)**
Credited to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**79**	**79**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,141**	**1,141**
Reclassification to liabilities directly associated with held for sale (note 29)	**103,284**	**–**	**280,827**	**–**	**(71,232)**	**329,810**	**(358,589)**	**(21,381)**	**262,719**
Exchange realignment	**5,844**	**–**	**15,960**	**–**	**(4,022)**	**18,626**	**(20,171)**	**(1,224)**	**15,013**
At 31 December 2022	**–**	**269**	**(17,370)**	**(633,855)**	**–**	**(2,901)**	**5,044**	**53,797**	**(595,016)**

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

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

** The deferred tax credited to profit or loss during the year of RMB14,057,000 in the discontinued operation (2021: charge to profit or loss RMB19,841,000).

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:

	2022 *RMB'000*	2021 *RMB'000*
Deferred tax assets	**56,833**	10,803
Deferred tax liabilities	**(651,849)**	(868,804)
	(595,016)	(858,001)

The Group has tax losses of RMB671,453,000 arising in Mainland China (2021: RMB613,038,000) that will expire in one to five years for offsetting against future taxable profits. The Group has tax losses of nil (2021: RMB672,553,000) 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

	2022 *HK$'000*	2021 *HK$'000*
Authorised:		
30,000,000,000 (2021: 30,000,000,000) ordinary shares of HK$0.1 each	**3,000,000**	3,000,000

	2022 *RMB'000*	2021 *RMB'000*
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,275,167**	1,188,219

39. PREFERENCE SHARES

The Company issued 11,000,000 preference shares to Beijing Capital (HK) on 22 December 2020, 4,705,200 preference shares to BCG Chinastar International Investment Limited ("BCG Chinastar") on 31 December 2020 and 611,000 preference shares to BCG Chinastar on 14 May 2021, which were fully paid and with a par value HK$100 each ("Preference Shares"). They were classified as equity, resulting in credits to other equity instrument of approximately RMB1,372,568,000 (equivalent to HK$1,631,620,000) in total. The transaction cost of RMB4,874,000 was accounted for as a deduction from the equity.

The Preference Shares are perpetual and have no maturity date, which are not convertible into ordinary shares. Besides, the Preference Shares are not redeemable at the option of the holders and they also have no right to put back the shares to the Company.

However, the Company may, at its sole discretion in each case as permitted by and in accordance with applicable law, at any time upon giving not less than 30 nor more than 60 days' notice to the holders and related fiscal agent, redeem in whole or in part the Preference Shares, until all the Preference Shares have been redeemed. The redemption price for each Preference Share so redeemed shall be the aggregate of an amount equal to its par value plus any accumulated but unpaid dividends.

Each Preference Share shall entitle its holder to receive dividends which have not been otherwise cancelled. Each dividend will be payable annually in arrears on 22 December in each year (the "Dividend Payment Date"). In respect of the period from the issue date to the First Call Date (22 December 2023), the dividend rate shall be the initial dividend rate of 4% per annum. Since the First Call Date, the dividend rate shall be the aggregate of: (i) the initial dividend rate of 4%; and (ii) a step-up margin of 3% per annum. However, the Company may, at its sole discretion, elect to defer (in whole or in part) any dividend which is otherwise scheduled to be paid on a Dividend Payment Date to the next Dividend Payment Date. The Company is not subject to any limit as to the number of times dividends and arrears of dividends can or shall be deferred, subject to the subscription agreement.

The holders of the Preference Shares ("Preference Shareholders") shall not be entitled to convene, attend or vote at any general meeting, other than when the business of the general meeting is to consider any resolution to (i) amend the Articles of Association to modify the rights and privileges attached to the Preference Shares, or (ii) adversely modify any of the special rights and privileges attached to the Preference Shares, or (iii) convene proceedings in respect of the Company for reconstruction, consolidation, amalgamation, merger, reorganisation or winding-up of the Company (each, a "Variation Resolution"), in which case the Preference Shareholders will be entitled to attend the general meeting and vote only upon such Variation Resolution, and the Preference Shareholders will be entitled to one vote in respect of each outstanding Preference Share and vote together with other preference shareholders as a separate class from the Ordinary Shareholders. The Preference Shares held by, or on behalf of, the Company shall have no voting rights.

The Company repurchased all preferred shares from Beijing Capital (HK) and BCG Chinastar during the year, paying the preferred principal of HK$1,631,620,000 (equivalent to RMB1,488,583,000) and the accumulated interest of HK$131,281,000 (equivalent to RMB117,287,000).

40. RESERVES

The amounts of the Group's statutory reserve and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 53 to 54 of the consolidated financial statements.

41. 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:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
BCG NZ	**49%**	49%

	2022 ***RMB'000***	2021 *RMB'000*
Profit for the year allocated to non-controlling interests:		
BCG NZ	**1,564,757**	44,490
Dividends paid to non-controlling interests of BCG NZ	**(1,679,651)**	(35,460)
Reduce share capital paid to non-controlling interests of BCG NZ	**(1,035,767)**	–
Accumulated balances of non-controlling interests at the reporting date:		
BCG NZ	**162,237**	1,104,149

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

	2022 ***RMB'000***	2021 *RMB'000*
Revenue	**–**	2,506,661
Total expenses	**–**	(1,746,437)
Profit for the year	**3,193,382**	90,797
Total comprehensive income for the year	**(3,619,350)**	(109,024)
Current assets	**381,086**	482,532
Non-current assets	**–**	6,572,920
Current liabilities	**(50,086)**	(3,048,169)
Non-current liabilities	**–**	(1,753,916)
Net cash flows from operating activities	**293,615**	548,958
Net cash flows used in investing activities	**7,814,468**	(224,551)
Net cash flows used in financing activities	**(7,929,988)**	(281,412)
Net increase in cash and cash equivalents	**178,095**	42,995

42. DISPOSAL OF A SUBSIDIARY

In addition to the Disposal Group disclosed in the note of DISCONTINUED OPERATION (Note 11), the other disposal matters is as follows:

On 21 November 2022, the Group signed a disposal agreement with a third party to dispose of all its interest in Jiangsu Subei. Jiangsu Subei engages in the recycling and disassembly of waste electrical and electronic equipment. The disposal of Jiangsu Subei was completed on 28 November 2022. Details of this disposal are as below:

	28 November 2022 *RMB'000*
Assets	
Property, plant and equipment	48,404
Right-of-use assets	38,460
Other intangible assets	1,965
Deferred tax assets	10,373
Inventories	43,817
Trade receivables	409,828
Prepayments, deposits and other receivables	600
Cash and cash equivalents	3,190
Assets classified as held for sale	556,637
Liabilities	
Interest-bearing bank and other borrowings	(110,000)
Trade payables	(21,100)
Other payables and accruals	(22,076)
Tax payable	(94,663)
Liabilities directly associated with the assets classified as held for sale	(247,839)
Less: impairment as held for sale assets (note 29)	(36,839)
Non-controlling interests	(138,959)
Net assets classified as held for sale, net	133,000
Satisfied by:	
Cash	133,000

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

	2022 *RMB'000*
Cash consideration	133,000
Cash and bank balances disposed of	(3,190)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	129,810

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

During the year, decreases of property, plant and equipment amounting to RMB34,840,000 (2021 additions: RMB16,535,000) 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 changes, including addition and change due to reassessments, to right-of-use assets and lease liabilities of RMB67,062,000 (2021: RMB340,125,000) and RMB67,062,000 (2021: RMB340,125,000), respectively, in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

2022	**Bank and other borrowings** *RMB'000*	**Interest payables** *RMB'000*	**Lease liabilities** *RMB'000*
At 1 January 2022	**11,730,624**	**40,826**	**1,319,706**
Changes from financing cash flows	**(2,437,140)**	**(601,065)**	**(21,151)**
New leases	**–**	**–**	**67,062**
Reassessment and revision of lease terms	**–**	**–**	**1,561**
Reclassification to liabilities directly associated with held for sale (note 29)	**–**	**–**	**(1,273,070)**
Foreign exchange movement	**(185,991)**	**(4,237)**	**(71,580)**
Interest capitalised	**–**	**43,182**	**–**
Interest expense	**–**	**555,164**	**45,561**
Interest paid classified as operating cash flows	**–**	**–**	**(34,464)**
At 31 December 2022	**9,107,493**	**33,870**	**33,625**

2021	Bank and other borrowings *RMB'000*	Interest payables *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2021	8,717,146	85,087	1,365,132
Changes from financing cash flows	3,307,672	(610,870)	(39,062)
New leases	–	–	340,125
Reassessment and revision of lease terms	–	–	(240,711)
Reclassification to assets held for sale	(60,000)		
Foreign exchange movement	(234,194)	(12,701)	(114,511)
Interest capitalised	–	64,431	–
Interest expense	–	514,879	65,683
Interest paid classified as operating cash flows	–	–	(56,950)
At 31 December 2021	11,730,624	40,826	1,319,706

43. 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:

	2022	2021
	RMB'000	*RMB'000*
Within operating activities	**(22,632)**	(24,299)
Within financing activities	**(55,615)**	(96,012)
	(78,247)	(120,311)

44. CONTINGENT LIABILITIES

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

	2022	2021
	RMB'000	*RMB'000*
Guarantees given to the government in connection with continuous operation of landfills (note 1)	**–**	231,888
Guarantees given to the government in connection with fulfilling the waste collection contracts and the other activities (note 2)	**192,737**	110,000
	192,737	341,888

Note 1: There was no guarantees given to the government in connection of landfills as at 31 December 2022 following disposal of the discontinued operation (2021: RMB231,888,000).

Note 2: The Group also provided performance guarantees with a total amount of RMB192,737,000 to the Grantors in connection with the construction and operation services provided according to the service concession arrangements (2021: RMB110,000,000).

45. PLEDGE OF ASSETS

The Group's buildings, leasehold land, pledged bank deposits, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings. For details, please refer to notes 14, 15, 28 and 34, respectively.

46. COMMITMENTS

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

	2022	2021
	RMB'000	*RMB'000*
Contracted, but not provided for:		
– construction work under service concession arrangements	**275,681**	1,070,619
– property, plant and equipment	**–**	153,546
	275,681	1,224,165

47. RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions during the year of 2022:

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

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 Capital I&G"), Capital Securities Co., Ltd ("Capital Securities"), Beijing Capital Air Environmental Science & Technology Co., Ltd. ("Beijing Capital Air"), and Sichuan Bluestone Construction Co., Ltd ("SC BlueStone"), are subsidiaries of Beijing Capital Group.

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

Name of the related parties	Nature of the transactions	2022 *RMB'000*	2021 *RMB'000*
Beijing Capital I&G	Guarantee charges	–	4
Beijing Capital (HK)	Rental expenses	1,546	1,494
Beijing Capital (HK)	Interest expenses*	18,810	643
BCG Chinastar	Interest expenses**	21,648	120,318
Beijing Capital Eco	Interest expenses***	4,890	–
Beijing Capital Group	Guarantee charges****	9,232	10,229
Beijing Capital Group	Keepwell fee	–	4,253
Capital Securities	Underwriting service fee	–	350
Beijing Capital Air	Purchase of machinery ^	7,956	653
SC BlueStone	Operation service income ^^	–	22,718
Beijing Capital Eco	Guarantees charges ^^^	9,017	3,049

47. RELATED PARTY TRANSACTIONS *(Continued)*

(a) In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the year: *(Continued)*

(i) *(Continued)*

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

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

*** The interest expenses during 2022 was related to a loan of RMB1,800,000,000 from Beijing Capital Eco, which was included in other borrowings. The loan bears interest at 4.38% per annum and has the maturity date on 28 May 2025. As at 31 December 2022, the borrowing was with amount of RMB1,370,000,000.

**** Beijing Capital Group provided guarantee services for the issued bonds of RMB1,000,000,000 based on the rate of 0.5% per annum and for a loan of RMB700,000,000 from Ping An Asset Management Co., Ltd based on the rate of 0.6% per annum. Amounts due to Beijing Capital Group as at 31 December 2022 were RMB8,018,000 (31 December 2021: RMB3,441,000).

^ The Group company purchased machines and service of construction from Beijing Capital Air. Amounts due to Beijing Capital Air as at 31 December 2022 were RMB7,533,000.

^^ The operation service income was related to an environmental remediation project subcontracted to the Group. The project was completed and trade receivables due from SC Bluestone was RMB32,341,000 (31 December 2021: RMB44,745,000).

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

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

The Group recognised revenue from the construction services and operation services of RMB1,367,213,000 (2021: RMB3,168,203,000) and RMB1,586,308,000 (2021: RMB1,006,158,000), 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.

RMB397,394,000 (2021: RMB475,779,000) were due from the Ministry of Finance of the PRC in relation to government dismantling tariffs and electricity generation, which were included in trade receivables and contract assets.

Trade receivables due from the local governments in the PRC in relation to the waste treatment service were RMB1,217,638,000 (2021: RMB950,065,000).

Commitments with government-related entities were included in note 46.

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.

47. RELATED PARTY TRANSACTIONS *(Continued)*

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

	Notes	2022 RMB'000	2021 RMB'000
Sales to related parties:			
Transwaste	(i)	**86,169**	116,611
Pike Point Transfer Station	(i)	**9,061**	11,346
Burwood Resource Recovery Park Limited	(ii)	**582**	6,030
Midwest Disposals	(i)	**5,531**	6,671
Waste Disposal Services	(iii)	**3,333**	4,508
		104,676	145,166
Purchases from related parties:			
Transwaste	(i)	**28,815**	33,155
Midwest Disposals	(i)	**27,664**	36,005
Waste Disposal Services	(iii)	**17,879**	20,980
Pike Point Transfer Station	(i)	**11,735**	14,902
Daniels Sharpsmart New Zealand Limited	(i)	**4,183**	5,298
Burwood Resource Recovery Park Limited	(ii)	**77**	–
Beijing Lanjie		**–**	3,034
		90,353	113,374

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.

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

	2022 RMB'000	2021 RMB'000
Short-term benefits	**7,921**	11,510
Post-employment benefits	**227**	283
	8,148	11,793

48. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values, except for Interest-bearing bank and other borrowings, which are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**9,107,493**	11,730,624	**9,200,232**	11,850,073

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

2022

Financial assets

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

Financial liabilities

	Derivatives designated as hedging instruments	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	1,762,291	1,762,291
Financial liabilities included in other payables and accruals	–	88,252	88,252
Interest-bearing bank and other borrowings	–	9,107,493	9,107,493
Amount due to related parties	–	25,135	25,135
Corporate bonds	–	997,536	997,536
	–	11,980,707	11,980,707

48. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

2021

Financial assets

	Derivatives designated as hedging instruments RMB'000	Financial assets at fair value through other comprehensive income — Equity investment RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Financial assets at fair value through other comprehensive income	–	16,665	–	16,665
Trade receivables	–	–	1,638,646	1,638,646
Financial assets included in prepayments, other receivables and other assets	–	–	408,446	408,446
Amounts due from associates	–	–	1,954	1,954
Pledged deposits	–	–	37,746	37,746
Derivative financial instruments	1,766	–	–	1,766
Cash and cash equivalents	–	–	1,682,745	1,682,745
	1,766	16,665	3,769,537	3,787,968

Financial liabilities

	Derivatives designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	–	2,062,996	2,062,996
Financial liabilities included in other payables and accruals	–	274,365	274,365
Interest-bearing bank and other borrowings	–	11,730,624	11,730,624
Amount due to related parties		9,153	9,153
Corporate bonds	–	996,514	996,514
Derivative financial instruments	5,106	–	5,106
	5,106	15,073,652	15,078,758

49. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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 2022	**Fair value measurement using** **Quoted prices in active markets (Level 1)** ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Equity investment designated at fair value through other comprehensive income	**–**	**–**	**7,001**	**7,001**
	–	**–**	**7,001**	**7,001**

As at 31 December 2021	Fair value measurement using Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Equity investment designated at fair value through other comprehensive income	–	–	16,665	16,665
Assets classified as held for sale	–	–	492,075	492,075
	–	–	508,740	508,740

Liabilities measured at fair value:

As at 31 December 2021	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*
Derivative financial instruments	–	5,106	–	5,106

The Group did not have any financial liabilities measured at fair value as at 31 December 2022.

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

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
As at 31 December 2022	**Quoted prices in active markets (Level 1)** ***RMB'000***	**Significant observable inputs (Level 2)** ***RMB'000***	**Significant unobservable inputs (Level 3)** ***RMB'000***	**Total** ***RMB'000***
Interest-bearing bank and other borrowings	**–**	**9,200,232**	**–**	**9,200,232**

	Fair value measurement using			
As at 31 December 2021	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*
Derivative financial instruments	–	11,850,073	–	11,850,073

50. 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 RMB67,299,000 for the year ended 31 December 2022 (2021: RMB84,873,000).

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

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 2022 and 2021 to a reasonably possible change in the NZ$, US$ and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2022			
If RMB weakens against NZ$	**5**	**–**	**112,668**
If RMB strengthens against NZ$	**(5)**	**–**	**(112,668)**
If RMB weakens against US$	**5**	**1,532**	**–**
If RMB strengthens against US$	**(5)**	**(1,532)**	**–**
If RMB weakens against HK$	**5**	**(11,784)**	**–**
If RMB strengthens against HK$	**(5)**	**11,784**	**–**
2021			
If RMB weakens against NZ$	5	–	112,668
If RMB strengthens against NZ$	(5)	–	(112,668)
If RMB weakens against US$	5	–	(149,365)
If RMB strengthens against US$	(5)	–	149,365
If RMB weakens against HK$	5	58,430	–
If RMB strengthens against HK$	(5)	(58,430)	–

* 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 2022, 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.

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

Credit risk *(Continued)*

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 100% and 0%, respectively (2021: 82% and 18%) of the total trade receivables as at 31 December 2022.

The Group has a concentration of credit risk in concession financial assets and contract assets of RMB9,592,053,000 (2021: RMB9,074,980,000) as at 31 December 2022, representing a guaranteed waste treatment fee to be received from fifty (2021: fifty-two) grantors in service concession arrangements of waste treatment and waste-to-energy plants. Besides, the Group has trade receivables and contract assets of RMB641,532,000 (2021: RMB475,779,000) due from the Ministry of Finance of the PRC and the Group has trade receivables of RMB1,217,638,000 (2021: RMB955,330,000) due from the local governments. The Group has considered the credit risk and provided the expected credit losses, details are given in note 26.

As at 31 December 2022, included in the prepayments, other receivables and other assets were RMB111,069,000 (2021: RMB117,166,000) of deposit receivables, which is mostly due from Shangrao Chengtou Energy Group Co., Ltd.（上饒市城投能源環保有限公司）, RMB35,567,000 (2021: RMB25,446,000) of deposit for tax review due from the Inland Revenue Department in Hong Kong, RMB213,642,000 (2021: RMB188,803,000) of tender deposits due from several local government as tenderers and RMB5,024,000 (2021: RMB5,003,000) of loans receivable mentioned in note 23. The Group considers that the credit risk of these is limited as these counterparties are with good credit history or good reputation.

The expected credit loss of RMB7,094,000 were provided for the amount due from Lanjie with the original amount of RMB7,094,000.

The credit risk on cash and cash equivalents, time deposits and pledged deposits are limited because the counterparties are reputable banks in Mainland China and Hong Kong.

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.

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

Credit 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:

2022	On demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade payables	1,762,291	–	–	–	–	1,762,291
Financial liabilities included in other payables and accruals	88,252	–	–	–	–	88,252
Amount due to a related party	–	25,135	–	–	–	25,135
Corporate bonds	–	1,012,655	–	–	–	1,012,655
Lease liabilities	–	33,625	–	–	–	33,625
Interest-bearing bank and other borrowings	–	1,535,818	850,232	3,949,651	4,804,049	11,139,750
	1,850,543	2,607,233	850,232	3,949,651	4,804,049	14,061,708

2021	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	1,973,021	87,971	2,003	–	–	2,062,995
Financial liabilities included in other payables and accruals	274,365	–	–	–	–	274,365
Amount due to a related party	–	9,153	–	–	–	9,153
Corporate bonds	–	36,000	1,012,655	–	–	1,048,655
Derivative financial instruments	–	5,106	–	–	–	5,106
Lease liabilities	–	76,321	73,715	202,729	2,868,139	3,220,904
Interest-bearing bank and other borrowings	–	4,937,733	1,390,546	4,125,837	4,074,631	14,528,747
	2,247,386	5,152,284	2,478,919	4,328,566	6,942,770	21,149,925

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.

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

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes interest-bearing bank and other borrowings and corporate bonds as disclosed in note 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.

51. EVENTS AFTER THE REPORTING PERIOD

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

52. 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:

	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**51**	8
Amounts due from subsidiaries	**2,307,098**	4,431,939
Investments in subsidiaries	**2,322,748**	3,286,382
Total non-current assets	**4,629,897**	7,718,329
CURRENT ASSETS		
Prepayments, other receivables and other assets	**586**	551
Bank balances and cash	**141,960**	223,261
Total current assets	**142,546**	223,812
CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**–**	1,308,155
Notes payable	**997,536**	–
Amount due to a shareholder	**7,413**	3,050
Other payables and accruals	**22,801**	26,616
Total current liabilities	**1,027,750**	1,337,821
NET CURRENT LIABILITIES	**(885,204)**	(1,114,009)
NON-CURRENT LIABILITIES		
Corporate bonds	**–**	996,514
Interest-bearing bank and other borrowings	**–**	1,901,856
Derivative financial instruments	**–**	5,106
Total non-current liabilities	**–**	2,903,476
Net assets	**3,744,693**	3,700,844
CAPITAL AND RESERVES		
Share capital	**1,275,167**	1,188,219
Reserves (note)	**2,469,526**	2,512,625
Total equity	**3,744,693**	3,700,844

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

Note:

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

	Share premium *RMB'000*	Other equity instruments *RMB'000*	Capital redemption reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	Cash flow hedge reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2021	1,670,391	1,316,938	–	(117,976)	(12,598)	(155,758)	2,700,997
Loss for the year	–	–	–			(140,423)	(140,423)
Other comprehensive expense for the year	–	–	–	(106,197)	7,492	–	(98,705)
Total comprehensive expense	–	–	–	(106,197)	7,492	(140,423)	(239,128)
Capital contribution from the preference shareholders	–	50,756	–	–	–	–	50,756
At 31 December 2021	1,670,391	1,367,694	–	(224,173)	(5,106)	(296,181)	2,512,625
Conversion of the functional currency	**249,917**	**120,889**	**–**	**(202,851)**	**–**	**(254,903)**	**(86,948)**
Profits for the year	**–**	**–**	**–**	**–**	**–**	**1,186,712**	**1,186,712**
Other comprehensive income for the year	**–**	**–**	**–**	**427,024**	**5,106**	**–**	**432,130**
Total comprehensive income	**249,917**	**120,889**	**–**	**224,173**	**5,106**	**931,809**	**1,531,894**
Preference shares repurchased and dividend paid	**(1,457,706)**	**(1,488,583)**	**1,488,583**	**–**	**–**	**(117,287)**	**(1,574,993)**
At 31 December 2022	**462,602**	**–**	**1,488,583**	**–**	**–**	**518,341**	**2,469,526**

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 20 March 2023.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000* Restated (Note)	**2022** ***RMB'000***
RESULTS					
Revenue from continuing operations	4,648,196	5,938,095	7,646,659	5,395,943	**4,588,955**
Profit from continuing operations attributable to equity holders of the Company	182,733	302,749	466,123	587,118	**191,314**

	As at 31 December				
	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*	**2022** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	14,886,033	18,635,880	24,059,068	26,173,239	**20,137,996**
Total liabilities	(10,082,115)	(13,394,626)	(16,870,053)	(18,456,618)	**(13,453,912)**
	4,803,918	5,241,254	7,189,015	7,716,621	**6,684,084**
Equity attributable to equity holders of the Company	3,362,362	3,622,593	5,622,644	6,210,896	**6,493,348**
Non-controlling interests	1,441,556	1,618,661	1,566,371	1,505,725	**190,736**
	4,803,918	5,241,254	7,189,015	7,716,621	**6,684,084**

Note:

The waste treatment and waste-to-energy business in New Zealand has been classified as a discontinued operation of the Group for the year ended 31 December 2022. In accordance with HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations, the Group has restated the comparative information in 2021 in this regard.

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

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