CAPITAL ENVIRONMENT HOLDINGS LIMITED

首 創 環 境 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "Board") of Capital Environment Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
CONTINUING OPERATIONS			
REVENUE	*4*	**4,076,596**	4,588,955
Cost of sales		**(2,689,827)**	(3,201,352)
Gross profit		**1,386,769**	1,387,603
Other income and gains	*4*	**84,495**	309,702
Selling expenses		**(28,856)**	(17,108)
Administrative expenses		**(379,828)**	(431,333)
Other expenses		**(216,405)**	(490,453)
Impairment losses on financial and contract assets, net		**(112,946)**	(64,335)
Finance costs	*6*	**(440,919)**	(544,670)
Share of profits of associates		**3,614**	6,182
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*5*	**295,924**	155,588
Income tax expense	*7*	**(37,535)**	(43,675)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**258,389**	111,913

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Attributable to:			
Owners of the parent		**285,380**	128,533
Non-controlling interests		**(26,991)**	(79,401)
Owners of the preference shares		**–**	62,781
		258,389	111,913
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	*8*	**–**	2,941,430
PROFIT FOR THE YEAR		**258,389**	3,053,343
Attributable to:			
Owners of the parent		**285,380**	1,628,662
Non-controlling interests		**(26,991)**	1,361,900
Owners of the preference shares		**–**	62,781
		258,389	3,053,343
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*10*		
For profit for the year		**RMB2.00 cents**	RMB11.39 cents
For profit from continuing operations		**RMB2.00 cents**	RMB0.90 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**525,001**	547,756
Right-of-use assets		**74,489**	88,355
Goodwill		**6,055**	6,055
Other intangible assets	*11*	**4,803,394**	3,990,473
Investments in associates		**41,388**	42,164
Trade receivables	*14*	**78,853**	107,422
Equity investment designated at fair value through other comprehensive income		**200**	7,001
Deferred tax assets		**46,443**	56,833
Concession financial assets	*12*	**7,797,224**	7,182,407
Contract assets	*13*	**469,620**	1,826,112
Prepayments, other receivables and other assets		**107,275**	114,688
Pledged deposits		**6,849**	3,278
Total non-current assets		**13,956,791**	13,972,544
CURRENT ASSETS			
Inventories		**77,616**	65,230
Concession financial assets	*12*	**1,631,688**	1,432,800
Contract assets	*13*	**910,285**	405,346
Trade receivables	*14*	**2,000,260**	1,694,538
Prepayments, other receivables and other assets		**1,015,087**	1,020,784
Pledged deposits		**33,628**	33,948
Cash and cash equivalents		**661,811**	1,512,806
Total current assets		**6,330,375**	6,165,452

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
CURRENT LIABILITIES			
Trade payables	*15*	**1,650,810**	1,786,155
Other payables and accruals		**261,067**	412,427
Deferred income		**17,047**	15,962
Interest-bearing bank and other borrowings	*16*	**1,364,343**	1,233,041
Corporate bonds		**–**	997,536
Lease liabilities		**21,911**	33,625
Amounts due to related parties		**141,012**	25,135
Tax payable		**71,879**	125,997
Total current liabilities		**3,528,069**	4,629,878
NET CURRENT ASSETS		**2,802,306**	1,535,574
TOTAL ASSETS LESS CURRENT LIABILITIES		**16,759,097**	15,508,118
NON-CURRENT LIABILITIES			
Deferred income		**297,554**	297,733
Interest-bearing bank and other borrowings	*16*	**9,107,701**	7,874,452
Deferred tax liabilities		**657,977**	651,849
Total non-current liabilities		**10,063,232**	8,824,034
Net assets		**6,695,865**	6,684,084
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,275,167**	1,275,167
Reserves		**5,154,223**	5,218,181
		6,429,390	6,493,348
Non-controlling interests		**266,475**	190,736
Total equity		**6,695,865**	6,684,084

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

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

The Group is involved in the waste treatment and waste-to-energy business.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

Revenue

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

(i) Disaggregated revenue from contracts with customers

Disaggregated revenue information for revenue from contracts with customers:

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

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

(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.

Construction services not under service concession arrangements

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

Operation services 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.

Operation services not under service concession arrangements

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

Electronic appliance dismantling

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

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

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

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

Other income and gains

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

5. PROFIT BEFORE TAX

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

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

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

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

6. FINANCE COSTS

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

7. INCOME TAX

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

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

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

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

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

8. 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, operated the waste treatment and waste-to-energy business in New Zealand. The transaction was completed on 30 September 2022. NZSPV and its subsidiaries (the "Disposal Group") was classified as a discontinued operation in the 2022 consolidated financial statements.

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

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

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

9. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
Final declared – HK$1 cent	**130,694**	–

On 28 June 2023, the special dividend of HK$1 cent per share for the year ended 31 December 2022 was approved in the annual general meeting of the Company (2022: Nil). The dividends were paid on 28 July 2023.

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

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

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

The calculation of basic earnings per share is based on:

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

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

11. OTHER INTANGIBLE ASSETS

	Customer contracts	**Service concession arrangements**	**Licenses and franchises**	**Trade names and trademarks**	**Software**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023						
Cost at 1 January 2023, net of accumulated amortisation	**–**	**3,987,149**	**–**	**–**	**3,324**	**3,990,473**
Additions	**–**	**57,496**	**–**	**–**	**489**	**57,985**
Transfer from contract assets	**–**	**1,172,602**	**–**	**–**	**–**	**1,172,602**
Amortisation provided during the year	**–**	**(219,071)**	**–**	**–**	**(795)**	**(219,866)**
Impairment during the year	**–**	**(197,800)**	**–**	**–**	**–**	**(197,800)**
At 31 December 2023	**–**	**4,800,376**	**–**	**–**	**3,018**	**4,803,394**
At 31 December 2023						
Cost	**–**	**5,783,561**	**–**	**–**	**5,966**	**5,789,527**
Accumulated amortisation and impairment	**–**	**(983,185)**	**–**	**–**	**(2,948)**	**(986,133)**
Net carrying amount	**–**	**4,800,376**	**–**	**–**	**3,018**	**4,803,394**

	Customer contracts	Service concession arrangements	Licenses and franchises	Trade names and trademarks	Software	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 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	(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

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.

Impairment testing of intangible assets in relation to service concession arrangements

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

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

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

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

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

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

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

12. CONCESSION FINANCIAL ASSETS

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

Concession financial assets mainly represent the amounts of the costs incurred by the Group for the construction services 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 government authorities or their designators ("**Grantor**") for the construction services which have been completed.

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

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

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

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

The Group recognised revenue from construction services of RMB535,159,000 (2022: RMB1,367,213,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB1,925,332,000 (2022: RMB1,586,308,000) for all the service concession arrangements of the Group (note 4). The gross profits recognised from construction services amounted to RMB159,926,000 (2022: RMB350,477,000) and the gross profits recognised from operation services amounted to RMB464,365,000 (2022: RMB393,453,000) for all the service concession arrangements of the Group.

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

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2023 *RMB'000*	Balance as at 31 December 2022 *RMB'000*
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	**1,140,711**	1,173,934
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠－二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	**747,782**	869,742
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	**585,142**	–
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Zhechuan, Xixia and Neixiang (淅川，西峽，內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	1,000 tonnes	**492,317**	515,086
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	**489,608**	514,300
Xiangxi Capital Environmental Energy Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	28 years after obtaining the approval for construction	1,000 tonnes	**432,925**	421,518
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	**385,322**	392,990
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	**333,467**	336,657
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun City People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	600 tonnes	**317,996**	333,206
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	**310,177**	312,060
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	**303,143**	–
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	Zhengyang Solid Waste Incineration Power Generation Project (正陽縣生活垃圾焚燒發電項目)	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement (正陽縣城市管理綜合執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	**288,647**	294,226
Others*						**3,601,675**	3,451,488
						9,428,912	8,615,207

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

13. CONTRACT ASSETS

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

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

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

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

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

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

14. TRADE RECEIVABLES

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

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

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

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

15. TRADE PAYABLES

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

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

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

16. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

	2023 ***RMB'000***	2022 *RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,168,408**	478,295
In the second year	**501,331**	477,589
In the third to fifth years, inclusive	**1,656,741**	1,628,661
Beyond five years	**3,710,894**	4,009,202
	7,037,374	6,593,747
Other borrowings repayable:		
Within one year	**195,935**	754,746
In the second year	**68,735**	46,963
In the third to fifth years, inclusive	**3,170,000**	1,613,470
Beyond five years	**–**	98,567
	3,434,670	2,513,746
	10,472,044	9,107,493

Notes:

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

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

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

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

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

(f) Other loan of RMB69,000,000 from CDM Fund as at 31 December 2023 (31 December 2022: 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).

(g) Other loan of RMB10,202,000 from Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2023 (31 December 2022: RMB29,682,000) 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).

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

(i) Other loan from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) which was guaranteed by the corporate guarantee of Beijing Capital Group Co., Ltd. ("Beijing Capital Group", the ultimate holding company of the Company) was repaid on 29 March 2023 (31 December 2022: RMB700,000,000).

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

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

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

17. EVENTS AFTER THE REPORTING PERIOD

Anhui Capital Environmental Technology Company Limited ("Anhui Capital", 安徽首創環境科技有限公司), a subsidiary of the Company, engages in the recycling and disassembly of waste electrical and electronic equipment. On 1 March 2024, the Group decided to cease its operation pursuant to the "Announcement on the suspension of the waste electrical and electronic products processing fund" ([2023] No. 74) (關於停徵廢棄電器電子產品處理基金有關事項的公告). The Group has preliminarily assessed the impact of the decision to be insignificant to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

In terms of project reserves, the Group secured a total of 68 projects (including 29 waste-to-energy projects, 5 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 7 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects) in the PRC, with a total investment of approximately RMB20,220 million, of which RMB17,064 million had been invested before 31 December 2023. The facilities are designed with an aggregate annual waste treatment capacity of approximately 15,266,680 tons and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units.

During the period, the Group's projects in operation or trial operation reached 55, including 24 waste-to-energy and biomass power generation projects, 4 waste landfill projects, 17 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste treatment projects. Key tasks were carried out in an orderly manner according to the Group's scientific management plan. During the year, the Group completed domestic waste disposal of 9,972,721 tons, hazardous waste disposal of 49,819 tons, and a dismantling volume of 1,072,256 units, providing a total of 2,227 million kWh of on-grid electricity.

Achievements in tackling challenges

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

Evident effect of improving quality

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

Fruitful results in making innovation

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

Remarkable outcome in increasing quantity

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

Solid organisational support

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

* *For identification purpose only*

Comprehensive safety system

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

Diversified financing methods

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

Environmental, Social and Governance Performance:

The Group's environmental policies and performance:

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

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

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

The Group operate its projects in strict compliance with the relevant laws and regulations. The major regulations applicable to the Group's projects include the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), the Regulations on Administration of Recovery and Disposal of Waste Electrical and Electronic Products (《廢棄電器電子產品回收處理管理條例》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》), the Regulation on Work-Related Injury Insurances of the People's Republic of China (《中華人民共和國工傷保險條例》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Tentative Provisions on Payment of Wages (《工資支付暫行規定》), the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Standard for Pollution Control on Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》), Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》),

Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and the Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》). In 2023, the Group did not record any material losses and impacts arising from non-compliance with the regulations.

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

Employees

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

Customers

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

Suppliers

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

Business outlook

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

FINANCIAL REVIEW

Financial Performance

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

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

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

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

Financial Position

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

Financial Resources

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

Borrowings

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

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

Foreign Exchange Exposure

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

Pledge of Assets

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

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

Capital Commitment Arrangements

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

Contingent Liabilities

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

Employee Information

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

Continuing Connected Transaction in 2024 – Cooperation Framework Agreement

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

Connected Transaction in 2024 – Capital Increase Agreement

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The 2024 annual general meeting of the Company (the "2024 AGM") will be held on Tuesday, 25 June 2024. To determine the eligibility of the Shareholders to attend 2024 AGM, the Company's register of members will be closed from Thursday, 20 June 2024 to Tuesday, 25 June 2024 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at 2024 AGM, all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 19 June 2024. The shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2024, the record date of 2024 AGM, will be entitled to attend and vote at 2024 AGM.

CORPORATE GOVERNANCE PRACTICES

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 adopted the principles and code provisions of Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as the basis of the Company's corporate governance practices. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2023, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Company (www.cehl.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2023 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board
Capital Environment Holdings Limited
Li Fujing
Chairman

Hong Kong, 22 March 2024

As at the date of this announcement, the Board comprises two executive directors, namely Mr. Li Fujing and Mr. Li Qingsong; one non-executive director, namely Ms. Hao Chunmei; and four independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah and Dr. Cao Fuguo.