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CAPITAL ENVIRONMENT HOLDINGS LIMITED

首創環境控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 Restated
CONTINUING OPERATIONS			
REVENUE	4	4,588,955	5,395,943
Cost of sales		<u>(3,201,352)</u>	<u>(3,760,408)</u>
Gross profit		<u>1,387,603</u>	<u>1,635,535</u>
Other income and gains	4	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	6	(544,670)	(507,851)
Share of profits of associates		<u>6,182</u>	<u>3,991</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	5	155,588	901,158
Income tax expense	7	<u>(43,675)</u>	<u>(283,025)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		<u>111,913</u>	<u>618,133</u>

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i> Restated
Attributable to:			
Owners of the parent		128,533	533,693
Non-controlling interests		(79,401)	31,015
Owners of the preference shareholders		62,781	53,425
		<u>111,913</u>	<u>618,133</u>
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	<i>8</i>	<u>2,941,430</u>	<u>(44,994)</u>
PROFIT FOR THE YEAR		<u>3,053,343</u>	<u>573,139</u>
Attributable to:			
Owners of the parent		1,628,662	510,746
Non-controlling interests		1,361,900	8,968
Owners of the preference shareholders		62,781	53,425
		<u>3,053,343</u>	<u>573,139</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	<i>10</i>		
For profit for the year		<u>RMB11.39 cents</u>	<u>RMB3.57 cents</u>
For profit from continuing operations		<u>RMB0.90 cents</u>	<u>RMB3.73 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
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 shareholders	62,781	53,424
	3,657,721	457,832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

		31 December 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		547,756	2,439,493
Right-of-use assets		88,355	1,310,731
Goodwill		6,055	1,941,793
Other intangible assets	11	3,990,473	4,924,125
Investments in joint ventures		–	401,708
Investments in associates		42,164	40,406
Trade receivables	14	107,422	193,676
Equity investments designated at fair value through other comprehensive income		7,001	16,665
Deferred tax assets		56,833	10,803
Concession financial assets	12	7,182,407	5,796,419
Contract assets	13	1,826,112	2,707,184
Prepayments, other receivables and other assets		114,688	159,472
Pledged deposits		3,278	3,026
		<hr/>	<hr/>
Total non-current assets		13,972,544	19,945,501
CURRENT ASSETS			
Inventories		65,230	66,441
Concession financial assets	12	1,432,800	1,131,642
Contract assets	13	405,346	208,820
Trade receivables	14	1,694,538	1,444,970
Prepayments, other receivables and other assets		1,020,784	1,157,724
Derivative financial instruments		–	1,766
Amounts due from associates		–	1,954
Tax recoverable		–	4,881
Pledged deposits		33,948	34,720
Cash and cash equivalents		1,512,806	1,682,745
Assets classified as held for sale	15	–	492,075
		<hr/>	<hr/>
Total current assets		6,165,452	6,227,738

		31 December	31 December
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade payables	<i>16</i>	1,786,155	2,062,996
Other payables and accruals		412,427	564,883
Deferred income		15,962	11,464
Derivative financial instruments		–	5,106
Interest-bearing bank and other borrowings	<i>17</i>	1,233,041	3,960,026
Corporate bonds		997,536	–
Lease liabilities		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		–	195,836
		<hr/>	<hr/>
Total current liabilities		4,629,878	7,122,928
		<hr/>	<hr/>
NET CURRENT ASSETS/(LIABILITIES)		1,535,574	(895,190)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,508,118	19,050,311
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred income		297,733	235,726
Interest-bearing bank and other borrowings	<i>17</i>	7,874,452	7,770,598
Lease liabilities		–	1,244,235
Corporate bonds		–	996,514
Deferred tax liabilities		651,849	868,804
Provisions		–	217,813
		<hr/>	<hr/>
Total non-current liabilities		8,824,034	11,333,690
		<hr/>	<hr/>
Net assets		6,684,084	7,716,621
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		1,275,167	1,188,219
Other equity instruments	<i>18</i>	–	1,367,694
Reserves		5,218,181	3,654,983
		<hr/>	<hr/>
Non-controlling interests		6,493,348	6,210,896
		190,736	1,505,725
		<hr/>	<hr/>
Total equity		6,684,084	7,716,621
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

Change of functional currency

In prior years, the functional currency of the Company was United States dollar ("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.

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	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	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.
- (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)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1,5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> 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

3. 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 8.

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.

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

(i) *Disaggregated revenue from contracts with customers*

Disaggregated revenue information for revenue from contracts with customers:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> 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	<u>4,071,620</u>	<u>5,002,952</u>
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	<u>4,071,620</u>	<u>5,002,952</u>

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.

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, 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 <i>RMB'000</i>	2021 <i>RMB'000</i>
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 <i>RMB'000</i>	2021 <i>RMB'000</i> 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

5. PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> 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):		
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.

6. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> Restated
Interest on bank and other borrowings	536,964	436,218
Interest on notes payable	–	82,682
Interest on corporate bonds	37,022	36,985
Interest on lease liabilities	1,904	253
	<hr/>	<hr/>
Total interest	575,890	556,138
Less: Interest capitalised	43,182	64,431
	<hr/>	<hr/>
Others	11,962	16,144
	<hr/>	<hr/>
	544,670	507,851
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7. 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 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 <i>RMB'000</i>	2021 <i>RMB'000</i> 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	30,024	112,488
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	43,675	283,025
Total tax charge for the period from a discontinued operation	16,700	4,693
	<hr/>	<hr/>
Total tax charge for the year	<u>60,375</u>	<u>287,718</u>

8. DISCONTINUED OPERATION

On 31 March 2022, BCG NZ Investment Holding Limited (“BCG NZ”), 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 <i>RMB'000</i>	2021 <i>RMB'000</i> 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
	<hr/>	<hr/>
Profit before tax from the discontinued operation	287,181	(40,301)
Income tax (<i>note 7</i>)	(16,700)	(4,693)
	<hr/>	<hr/>
Profit/(loss) after tax from the discontinued operation	<u>270,481</u>	<u>(44,994)</u>
	<hr/>	<hr/>
Gain on disposal of the discontinued operation	<u>2,670,949</u>	–
	<hr/>	<hr/>
Profit/(loss) for the year from the discontinued operation	<u>2,941,430</u>	<u>(44,994)</u>

* 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.

	30 September 2022
	<i>RMB'000</i>
	<i>Note</i>
<i>Assets</i>	
Property, plant and equipment	1,801,671
Right-of-use assets	1,196,776
Goodwill	1,803,279
Other intangible assets	11 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
	<hr/>
<i>Liabilities</i>	
Trade payables	(74,958)
Other payables and accruals	(3,380,663)
Lease liabilities	(1,273,070)
Tax payable	–
Deferred tax liabilities	(262,719)
Provisions	(166,560)
Derivative financial instruments	(154)
	<hr/>
Net assets directly associated with the disposal group	<u>1,553,509</u>
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	<u>47,695</u>

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

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

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	<u>(2,803)</u>	<u>(10,523)</u>
Net cash (outflow)/inflow	<u><u>(32,073)</u></u>	<u><u>126</u></u>
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 31 December is based on:

	2022 RMB'000	2021 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operation	<u>1,500,129</u>	<u>(22,947)</u>
	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (<i>note 10</i>)	<u>14,294,733,167</u>	<u>14,294,733,167</u>

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

9. 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.

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 (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 <i>RMB'000</i>	2021 <i>RMB'000</i>
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)
	<u>1,628,662</u>	<u>510,746</u>
Number of shares		
	2022	2021
Shares		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

11. OTHER INTANGIBLE ASSETS

	Customer contracts <i>RMB'000</i>	Service concession arrangements <i>RMB'000</i>	Licenses and franchises <i>RMB'000</i>	Trade names and trademarks <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
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 (<i>note 15</i>)	(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	<u>-</u>	<u>3,987,149</u>	<u>-</u>	<u>-</u>	<u>3,324</u>	<u>3,990,473</u>
At 31 December 2022:						
Cost	-	4,553,463	16,024	-	5,477	4,574,964
Accumulated amortisation and impairment	<u>-</u>	<u>(566,314)</u>	<u>(16,024)</u>	<u>-</u>	<u>(2,153)</u>	<u>(584,491)</u>
Net carrying amount	<u>-</u>	<u>3,987,149</u>	<u>-</u>	<u>-</u>	<u>3,324</u>	<u>3,990,473</u>

* The amortisation provided during the year of RMB12,346,000 was charged in a discontinued operation (2021: RMB51,746,000) in note 8.

	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 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	<u>68,923</u>	<u>3,757,383</u>	<u>345,315</u>	<u>675,142</u>	<u>77,362</u>	<u>4,924,125</u>
At 31 December 2021:						
Cost	144,604	4,076,695	573,365	675,142	118,884	5,588,690
Accumulated amortisation and impairment	<u>(75,681)</u>	<u>(319,312)</u>	<u>(228,050)</u>	<u>–</u>	<u>(41,522)</u>	<u>(664,565)</u>
Net carrying amount	<u>68,923</u>	<u>3,757,383</u>	<u>345,315</u>	<u>675,142</u>	<u>77,362</u>	<u>4,924,125</u>

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 12.

There are intangible assets, licenses and franchises and trade names and trademarks, with indefinite useful lives, of BCG NZ Group, amounting to RMB122,504 and RMB675,142 as at 31 December 2021, respectively. 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 (寧波首創廚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.

12. CONCESSION FINANCIAL ASSETS

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

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 4). 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.

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 (南昌州市環境管理局)	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 (浙川、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 (南昌州市環境管理局)	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, 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	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.

13. CONTRACT ASSETS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
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)
	<u>2,231,458</u>	<u>2,916,004</u>
Analysed into:		
Current assets	405,346	208,820
Non-current assets	1,826,112	2,707,184
	<u>2,231,458</u>	<u>2,916,004</u>

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 reclassified to financial assets or other intangible assets for construction services under service concession arrangements and to trade receivables for other construction services.

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 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	<u>1,881,067</u>	<u>2,775,681</u>
Total contract assets	<u><u>1,881,067</u></u>	<u><u>2,775,681</u></u>

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 (2021: RMB1,516,000) have been written off during the year.

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.

14. TRADE RECEIVABLES

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

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

15. ASSETS CLASSIFIED AS HELD FOR SALE

As for the disposal subsidiary disclosed in note 19, 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 year. The impairment as held for sale assets amount RMB36,839,000 at 28 November 2022.

As for the Disposal Group disclosed in note 8, 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.

16. 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	2021
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>1,786,155</u>	<u>2,062,996</u>

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.

17. 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
			<u>1,233,041</u>			<u>3,960,026</u>
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	2024-2030	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
			<u>7,874,452</u>			<u>7,770,598</u>
Total			<u>9,107,493</u>			<u>11,730,624</u>
				2022		2021
				RMB'000		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
				<u>6,593,747</u>		<u>8,509,821</u>
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
				<u>2,513,746</u>		<u>3,220,803</u>
				<u>9,107,493</u>		<u>11,730,624</u>

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 China Clean Development Mechanism Fund (中國清潔發展機制基金) 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 Co., Ltd., the ultimate holding company of the Company.

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.

18. PREFERENCE SHARES

The Company issued 11,000,000 preference shares to Beijing Capital (Hong Kong) Limited (“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).

19. DISPOSAL OF A SUBSIDIARY

In addition to the Disposal Group disclosed in the note of DISCONTINUED OPERATION (Note 8), 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
	<hr/>
Assets classified as held for sale	556,637
	<hr/> <hr/>
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)
	<hr/>
Less: impairment as held for sale assets (<i>note 15</i>)	(36,839)
Non-controlling interests	(138,959)
	<hr/>
Net assets classified as held for sale, net	133,000
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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)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	129,810
	<hr/> <hr/>

20. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 US dollar (USD). With effect from 30 September 2022, the functional currency of the Company changed from USD to 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 8 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.

DIVIDEND

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), and is subject to approval by the shareholders of the Company ("Shareholders") in the forthcoming annual general meeting. The Board did not recommend the payment of a final dividend (2021: NIL) for the year ended 31 December 2022.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The 2023 annual general meeting of the Company (the "2023 AGM") will be held on Wednesday, 28 June 2023. To determine the eligibility of the Shareholders to attend 2023 AGM, the Company's register of members will be closed from Friday, 23 June 2023 to Wednesday, 28 June 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at 2023 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, 21 June 2023. The shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2023, the record date of 2023 AGM, will be entitled to attend and vote at 2023 AGM.

To determine the Shareholders' entitlement to the proposed special dividend for the year ended 31 December 2022, the register of members of the Company will be closed from Tuesday, 11 July 2023 to Thursday, 13 July 2023 (both days inclusive) and no transfer of the shares of the Company will be effected during such period. In order for a shareholder of the Company to qualify for the proposed special dividend, 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 Monday, 10 July 2023. Subject to approval by the Shareholders at the 2023 AGM, the proposed special dividend will be paid on Friday, 28 July 2023 to the Shareholders whose names appear on the Company's register of members on Thursday 13 July 2023, the record date.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code for dealing in securities of the Company by the directors of the Company. The Company has made specific enquires of all its directors regarding any non-compliance with the Model Code, and all the directors have confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

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 complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year under review.

REVIEW OF ACCOUNTS

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, 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 2022 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.

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.

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 2022 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
Cao Guoxian
Chairman

Hong Kong, 20 March 2023

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