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

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

2024
ANNUAL REPORT
年報

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CORPORATE INFORMATION

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BOARD OF DIRECTORS

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

Non-executive Director
Ms. Hao Chunmei

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

COMMITTEES

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

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

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

JOINT COMPANY SECRETARY

Ms. Yu Hong
Ms. Lin Sio Ngo

AUTHORIZED REPRESENTATIVE

Mr. Li Fujing
Ms. Lin Sio Ngo

REGISTERED OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Wan Chai, Hong Kong, China

AUDITOR

Ernst & Young, Registered Public Interest Entity Auditor

HONG KONG LEGAL ADVISOR

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

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands
Suntera (Cayman) Limited
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Grand Cayman, KY1-1100
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Branch Registrar in Hong Kong
Tricor Investor Services Limited
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CORPORATE WEBSITE

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STOCK CODE

03989

CHAIRMAN'S STATEMENT

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The Third Plenary Session of the 20th Central Committee of the Communist Party of China (the "Session") set a new direction for the environmental protection in China, with an emphasis on establishment of a green and low-carbon recycling economy and promotion of green technology, so as to form an energy-saving and environmentally friendly mode. The Session proposed to advance the system reform for ecological civilization, introduce supportive green policies, develop the green industry and strengthen pollution control, thereby protecting the ecological environment. A particular focus was put on strengthening the conservation of major river basins, such as the Yangtze River basin and the Yellow River basin, to promote the holistic conservation and systematic governance of resources. Moreover, the Session proposed to facilitate the value conversion of ecological products, enhance the value realisation mechanism for ecological products and the ecological protection compensation system, adhere to technological innovation and system innovation, improve the green and low-carbon technological innovation system and mechanism, and reaffirm that enterprises are the main players in technological innovation, thus stimulating the innovation vitality of enterprises. All these efforts are expected to bring new development opportunities for the environmental protection industry.

In 2024, China's economy showed an overall trend of "stability followed by a rise, with ongoing improvement". Implementation of the "Two Upgrades" policy (equipment renewal and trade-in for new consumer goods) has driven the simultaneous growth of supply and demand. However, economic development still faced headwinds and challenges, including but not limited to sluggish domestic demand, unsmooth transition from old to new growth drivers, and the combined effect of adjustments to the real estate market and local government debt pressure. Besides, reconstruction of external industrial chain and elevated technological barriers have impelled us to seek innovation breakthroughs.

At present, the environmental protection industry is at a critical stage of technological evolution and industrial chain integration. With the in-depth integration of artificial intelligence, Internet of Things (IoT) and biotechnology, pollution control is evolving toward intelligence. Domestic enterprises are actively pursuing transformation to provide systematic solutions, and maximizing product added value through full-process services, while at the same time consolidating their market advantages by delivering technical standards. Thanks to the development of a circular economy and the proposal of "dual carbon" goals, recycling has developed into a new level. Integration of technologies across different sectors has nurtured a new business model. Leading enterprises enhanced their control over the whole industrial chain via mergers and acquisitions, while small and medium-sized enterprises focused on differentiated competition strategies targeting different market segments. Enterprises with the capability to integrate core technologies and operate on a global basis will become the main forces in leading industry reform. In the face of a complex macroeconomic environment and industrial upgrades, we must maintain strategic agility, develop a deep insight into the inherent laws of industry development, and take a proactive strategy.

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

In 2024, the Group fully implemented the "14th Five-Year Plan" strategy and the "Eco+2025" strategic iteration requirements of Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group"), a substantial shareholder of the Company. With "quality improvement and quantity increase" as the keynote and "integration, development and upgrading" as the guideline, the Group centered its efforts around the core strategy of "tackling challenges, improving quality, making innovation and increasing quantity", devoting greater efforts to organizational optimization, talent development, information technology promotion and safety management system, with a focus on promoting operating efficiency improvement and seeking breakthroughs in business layout. Revenue target for the year was nearly achieved, profit target was exceeded, and operating cash flows continued to improve, making the Group a core pillar for the steady growth of the Capital Eco Group.

In 2024, the Group's turnover for the year amounted to RMB3,667 million, representing a year-on-year decrease of 10.06%; total assets amounted to RMB20,881 million, representing a year-on-year increase of 2.92%; net assets amounted to RMB6,991 million, representing a year-on-year increase of 4.41%; and net profit attributable to parent company reached RMB234 million, representing a year-on-year decrease of 17.96%.

The Group secured a total of 65 projects in the PRC, with a total investment of approximately RMB19,758 million, of which RMB17,200 million had been invested as of 31 December 2024. The facilities are designed with an estimated aggregate annual waste treatment capacity of approximately 14.98 million tons.

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

In 2025, the favorable conditions for China's development will outweigh the adverse factors. The fundamental trend of long-term economic growth remains unchanged, which reinforces confidence and faith. The Group will solidly advance various tasks with the business strategy of "tackling difficulties, improving quality and driving growth" and the management strategy of "innovation, efficiency improvement and upgrade". Firstly, it will concentrate on optimizing the business structure, driving the scale development of asset-light businesses such as environmental sanitation and restoration, so as to promote value realization from incineration derivative business. Secondly, it will further develop operational management capabilities and improve standardized systems and smart platforms to enhance the efficiency of full-process digital services. Thirdly, it will strengthen strategic investments, mergers and acquisitions with a priority to high-quality projects that have technological synergies and regional advantages, thereby accelerating the replacement of inefficient assets and resource integration. Fourthly, it will build its core competitiveness, develop cross-industry integrated solutions and cultivate industry benchmark projects, in an effort to enhance its market influence. Finally, it will solidify organizational support by dynamically adjusting its structure to match strategic needs, and establish a dedicated team responsible for enhancing resource synergy. Through these efforts, the Group will coordinate the successful conclusion of the 14th Five-Year Plan and the layout for the 15th Five-Year Plan, laying a solid foundation for high-quality development through a dual-driven approach of mergers & acquisitions and organic growth.

Last but not least, I would like to extend my sincerest gratitude to the management and all employees for their tireless efforts and outstanding contributions in the past year. I also wish to express my deepest appreciation to all shareholders of the Company ("Shareholders"), members of the board of directors of the Company ("Board"), stakeholders in Mainland China and Hong Kong for their consistent support to the Group.

Li Fujing
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, the global economy showed a complex trend of "weak recovery and high volatility". Economic activities were impacted by a combination of factors such as escalating geopolitical conflicts, high-level fluctuations in energy prices and the regional restructuring of global supply chains. These factors continuously interfered with and posed challenges to the economic recovery processes of various countries. In parallel, China adhered to its general principle of "seeking progress while maintaining stability" and achieved a positive outcome, with a year-on-year GDP growth of 5%[1]. The driving force of economic growth is gradually shifting from traditional infrastructure construction sectors to green and low-carbon sectors, marking a new direction for future economic development. In the current macroeconomic context, the environmental protection industry, as a key area for achieving "steady growth and structural adjustments", has not only received policy support but also witnessed significant advancements in technological innovation. As driven by both policy support and technological progress, the industry has experienced rapid development.

1 National Bureau of Statistics of China, "Statistical Communiqué on the National Economic and Social Development"（《國民經濟和社會發展統計公報》）, 2024

In 2024, the transaction volume in the environmental protection market reached RMB783.5 billion[2], of which service projects accounted for 84% and asset-based projects accounted for 16%[3]. The market regards "dual carbon" goals as driving force and pursues technological upgrade, with the growth of the traditional environmental protection business slowing down, and the transaction volume of energy saving and dual carbon sectors increasing by 42% year-on-year[4]. The scale of the waste-to-energy market shrunk, with transaction volume decreasing by 23% compared to the previous year. Leading enterprises started to bring about technological renovation to existing projects, with the proportion of technological renovation investment rising to 25%[5]. Incineration enterprises achieved increased revenue from China Certified Emission Reduction (CCER) transactions, with gains of carbon emission reduction per tonne of waste reaching RMB8 to RMB12[6]. In the field of urban and rural environmental sanitation, transaction volume reached RMB168.1 billion, with the penetration rate of new energy equipment exceeding 30%[7] and the coverage rate of intelligent management and control platforms surpassing 50%. Market competition became increasingly fierce, resulting in the industry's gross profit margins falling to 12% to 15% due to price wars[8]. Leading enterprises held higher market shares and demonstrated strong development momentum. In the site restoration sector, demand was unleashed, with transaction volume reaching RMB74.5 billion, representing a year-on-year increase of 18%[9]. Technical barriers gradually emerged, and for enterprises possessing specific technologies, their bid-winning rate improved. The application of green restoration technologies increased to 35%, with energy consumption reducing by 40%[10]. The value of carbon sinks was explored, and the restoration project of saline-alkaline land generated income from carbon sink transactions. In the field of energy saving and dual carbon, the transaction volume of the industrial energy saving renovation exceeded RMB50 billion, with the iron and steel and chemical industries contributing 65%[11]; hydrogen-fueled sanitation vehicles were deployed in pilot areas, with the cost of the entire industry chain dropping by 30%[12]. Carbon capture demonstration projects for incineration plants were put into operation, with the cost of capture dropping to RMB300 per tonne[13]. The Ministry of Finance provided subsidies for Carbon Capture, Utilization and Storage (CCUS) projects, which facilitated the launch of pilot projects. Enterprises in various industries seized opportunities of dual carbon through the extension of the industrial chain.

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2 Ministry of Ecology and Environment of China, "Annual Report on the Development of China's Ecological Environment Industry" (《中國生態環境產業發展年報》), 2024

3 China Association of Environmental Protection Industry, "Market Analysis Report on Environmental Protection Services and Asset-based Projects" (《環保服務與資產類項目市場分析報告》), 2024

4 National Development and Reform Commission of China, "White Paper on the Progress of Energy Saving Industries under 'Dual Carbon' Goals" (《「雙碳」目標下節能產業進展白皮書》), 2024

5 China Electricity Council, "Annual Report on the Waste-to-Energy Industry" (《垃圾焚燒發電行業年度報告》), 2024

6 China Beijing Green Exchange, "Annual Report on National Carbon Market Transaction Data" (《全國碳市場交易數據年報》), 2024

7 Ministry of Housing and Urban-Rural Development of China, "Report on the Integrated Development of Urban and Rural Environmental Sanitation" (《城鄉環衛一體化發展報告》), 2024

8 China Association of Urban Environmental Sanitation, "Competitive Landscape and Cost Analysis of the Environmental Sanitation Industry" (《環衛行業競爭格局與成本分析》), 2024

9 Ministry of Natural Resources of China, "Market Research Report on Soil and Groundwater Remediation" (《土壤與地下水修復市場研究報告》), 2024

10 The Environmental Planning Institute of the Ministry of Ecology and Environment, "Innovation and Application Cases of Ecological Remediation Technologies" (《生態修復技術創新與應用案例》), 2024

11 Ministry of Industry and Information Technology of China, "Application Report on Energy Saving and Carbon Reduction Technologies in Key Industries" (《重點行業節能降碳技術應用報告》), 2024

12 China New Energy Vehicle Industry Alliance, Assessment of Commercial Application of Hydrogen Energy Technologies (《氫能技術商業化應用評估》), 2024

13 Ministry of Science and Technology of China, Summary of Carbon Capture, Utilization and Storage (CCUS) Technology Demonstration Projects (《碳捕集、利用與封存(CCUS)技術示範項目總結》), 2024

Since entering the field of solid waste treatment in 2011, the Group has aligned itself with the development guidance of national policies to promptly grasp policy benefits and market opportunities, and fully implemented the "14th Five-Year Plan" strategy and the overall deployment of "Eco+2025" strategic iteration of the Capital Eco Group, a substantial shareholder of the Company. The Group has continuously made in-depth adjustments to its business structure to gradually enhance profitability. Simultaneously, it has pursued development driven by technological innovation, optimized the environment for technological innovation, enhanced its technological innovation capabilities and accelerated the establishment of its technological innovation strengths, to promote the high-quality development of the Group. The Group focused on its environmental protection business, continuously consolidated the core position of its waste-to-energy incineration business, and actively promoted the development of asset-light businesses such as urban-rural environmental sanitation, site restoration and energy conservation & dual carbon. All business segments on the business chain have achieved greater synergies – a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, forming a comprehensive structure for solid waste treatment business. The Group proactively established asset-light business platforms, namely the site restoration department (based on Beijing Capital Environment Technology Company Limited) and the environmental industry department (based on Beijing Capital Environmental Sanitation Company Limited), clarifying the positioning of such platforms and strengthening their business development. Each platform actively explores new customers and new markets and continuously expands its business scope as well as scale. The Group pursued the strategic initiatives on transformation and upgrading, in-depth urban presence and value diversification and, with a focus on capacity building and technological innovation, created a diversified value-driven model of "investment + operation + service" to develop both asset-light and asset-heavy operations, supporting the Capital Eco Group to achieve a multi-business portfolio covering the systematic treatment needs across "water, solid waste, air and energy" sectors.

In 2024, adhering to the operating focus of "tackling challenges, improving quality, making innovation and increasing quantity", the Group strived to expand its business scale, and based on key performance indicators such as return on equity (ROE), continued to explore the potential for improvement in various aspects of its existing asset operation and management, thereby delivering remarkable results. Specifically, the Group's turnover amounted to RMB3,667 million, of which principal businesses such as waste-to-energy incineration, urban-rural environmental sanitation, site restoration and organic solid waste treatment contributed turnover of RMB3,478 million, accounting for more than 90%. Net profit attributable to shareholders of the parent company reached RMB234 million, of which RMB457 million was attributable to waste incineration and its ancillary collection and transportation business, further enhancing the Group's profitability.

The Group secured a total of 65 projects (including 27 waste-to-energy projects, 5 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 6 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects) in the PRC, with a total investment of approximately RMB19,758 million, of which RMB17,200 million had been invested (as of 31 December 2024). The facilities are designed with an aggregate annual waste treatment capacity of approximately 14.98 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units.

During the year, a total of 57 projects were in operation or in trial operation, including 26 waste-to-energy and biomass power generation projects, 4 waste landfill projects, 17 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste treatment projects.

REMARKABLE ACHIEVEMENTS IN EFFECTIVELY TACKLING DIFFICULTIES

The Group continued to optimize its asset structure and promoted the disposal of inefficient businesses and assets in an orderly manner, focusing on enhancing the operational quality of its core projects. By stepping up its efforts in key areas, the Group effectively enhanced the operational efficiency of its existing projects and achieved business breakthroughs in a number of key areas. In response to the task of improving operations, the Group systematically implemented measures to enhance quality and increase efficiency, resulting in profit and revenue growth for certain projects throughout the year and significant improvements in the operating conditions of most projects.

EVIDENT EFFECT OF COMPREHENSIVELY IMPROVING QUALITY

The Group strengthened its control over key project processes during the year, with 17 engineering projects successfully completed, 4 pilot operation projects successfully put into commercial operation and 3 projects implementing price adjustments and increasing service prices. By taking a series of measures, the production efficiency of incineration projects was improved, with on-grid power generation increasing by 6.8% year-on-year. The waste treatment business was expanded beyond the local area for a number of projects, with capacity utilization increasing by approximately 10.4% year-on-year. At the same time, a number of projects have completed the required waste disposal and the act of collecting wastes has been promoted to the extent practicable. All 11 technological renovation projects were completed. The Group continued to optimize and control costs via strategies such as centralized procurement, loan refinancing and interest rate reduction, energy saving and consumption reduction. In terms of centralized procurement for cost reduction, the total cost reduction amounted to approximately RMB120 million cumulatively. In terms of loan refinancing and interest rate reduction, 21 subsidiaries achieved interest rate reduction, and the borrowing rate of a number of subsidiaries was reduced to below 3%. In terms of energy saving and consumption reduction, all indicators were controlled below the target level. The Group regulated the expenditure on management fees, resulting in effective control of management fees.

FRUITFUL RESULTS IN INNOVATIVE INCREMENT

The Group submitted 48 patent applications in the field of technological innovation, including 15 invention patents and 33 utility model patents, and successfully obtained authorization for 35 patents, including 12 invention patents. The Group was honored with 1 provincial and ministerial-level scientific and technological progress award and 3 association-level awards. Currently, 6 projects are being implemented, 3 of which are already in the commissioning phase. A framework agreement was signed and two patent applications were filed for mobile heating technology sector. The incineration derivative business secured new contracts totaling RMB265 million. The environmental sanitation segment received 17 new orders, with an annualized service amount of RMB465 million, and the site restoration business segment received 3 new orders, with a contract value of RMB67.31 million. The Group successfully established its presence in the Guangxi Zhuang Autonomous Region market by expanding into high-standard farmland construction projects for the first time. New business types were developed for the energy saving and dual carbon business, with the issuance of 1.9 million green electricity certificates, which generated green equity income and improved cash flow. In terms of blazing new trails, the Group has conducted in-depth feasibility studies and research centered on directions such as chemical recycling of waste plastics, mobile heating and heat pump applications, waste material recycling, and geothermal heating.

SIGNIFICANT ACHIEVEMENTS IN SYSTEMATIC UPGRADE

The Group actively promoted the construction of an excellent operational system for the waste-to-energy business and the standardization of anaerobic digestion and water treatment processes. The Group organized production and technical exchange meetings to enhance electricity generation, reduce electricity consumption at plants and improve unit efficiency. Meanwhile, the Group remained committed to improving the management system for the urban and rural environmental sanitation business and continuously promoted the refined management of the urban and rural environmental sanitation business, with a focus on advancing safety management, human resource management, business plan management, organizational capacity building and operational system construction. During the year, the Group formulated a management enhancement plan, established a leadership team and working groups for management enhancement, and set up a work promotion mechanism. Specific management enhancement tasks were refined and assigned to relevant departments, therefore further enhancing the management across all lines of business. Beijing Capital Environment Technology Company Limited, a subsidiary of the Group, seized the opportunity of being selected as a "Science and Technology Reform Demonstration Enterprise" to continuously deepen the development of institutional mechanisms such as corporate governance, market-oriented employment, and market-oriented incentive and restraint. These efforts are aimed at strengthening endogenous development momentum, fulfilling the objectives of science and technology reform, and being included in the list of new-round "Science and Technology Reform Enterprises".

COMPREHENSIVE SAFETY SYSTEM

The Group endeavored to improve the safety management system, with an aim to enhance its execution efficiency. Through the implementation of the production safety objective responsibility letter system, the Group clarified responsibilities at all levels and ensured that all employees have signed the letter. Meanwhile, the Group carried out a hazardous source assessment, prepared risk control lists and established operating procedures, as well as published core safety policies. Advanced monitoring platforms were used to carry out safety inspections and strengthen the elimination of hidden hazards and the inspection of special equipment. In addition, an "incident review + management effectiveness" assessment mechanism was established, which incorporates the safety performance into the key performance indicator (KPI) system to achieve a closed-loop management effect.

DIVERSIFIED FINANCING METHODS

The Group maintains good and smooth cooperative relationships with a number of financial institutions, including Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Postal Savings Bank of China. By comprehensively considering the short-, medium- and long-term capital needs, the Group laid the capital foundation for its potential and current project construction and working capital needs. In 2024, the Group secured RMB10,228 million of outstanding banking facilities in total, of which RMB500 million was granted to the Group's headquarters and RMB9,728 million was granted to various project companies.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

Regarding the Group's environmental protection policy and its implementation: the Group attaches great importance to the potential environmental impact brought by its daily operations and has formulated the "Environmental Management Measures"（《環境管理辦法》）(the "Measures"). The Measures aim to regulate the environmental protection behaviors of all departments and project companies within the Group, ensuring that operational activities align with the goals of clean, conservation-oriented, and harmonious development. The Group sticks to adopting the concept of energy conservation and emission reduction in aspects such as waste discharge, use of resources, and environment and natural resources, so as to prevent and reduce any adverse impact on the environment. Additionally, the Group strictly complies with relevant national environmental protection laws and regulations, ensuring that all activities are conducted within the legal framework. The Group is also committed to improving its environmental performance and reducing the adverse impact on the environment through continuous research and development, as well as the application of various environmental protection technologies, thus contributing to the sustainable development.

The Group fully recognizes the importance of the updated climate disclosure rules of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on climate-related risk management and has initiated systematic response measures to integrate climate-related risks and opportunities into its business. To fully comply with the disclosure requirements for climate-related risks and opportunities, the Group will systematically plan and improve the framework for accounting and disclosure of climate change-related data. Currently, the Group is continuously advancing data disclosure for certain categories within Scope 3 emissions to enhance climate resilience. In addition, by deepening climate scenario analysis, the Group is able to quantify the impact of extreme weather conditions and resource shortages on its operations more accurately. Climate risks and opportunities are reviewed at annual board meetings to ensure smooth progress and compliant performance on climate issues, thereby providing stakeholders with a more transparent commitment to climate action.

The Group carried out various key tasks in an orderly manner according to its scientific operational plan. During the year, the Group completed domestic waste disposal of 10,120,000 tonnes, hazardous waste disposal of 38,000 tonnes, and a dismantling volume of 23,400 units, providing a total of 2,630 million kWh of on-grid electricity.

THE GROUP'S KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group is aware that talent is the core element of corporate development and is therefore committed to enhancing the efficiency of its human resource management and striving to create an employee-centered corporate culture that cares for the all-round development of its employees. The Group makes every effort to safeguard the legitimate rights and interests of its employees and nurture talents that meet the Group's development needs. Through regular performance appraisals, the Group aims to build a highly efficient team with market competitiveness and actively enhance the sense of belonging of its employees, with a view to promoting the mutual progress and growth of the Group and its employees.

Customers

The Group always adheres to the customer-centric business philosophy and is dedicated to providing high-quality, efficient and safe services to customers as its top priority and responsibility. Consistently oriented by customer demand, the Group pursues high-quality development, builds up energy within the Group, leverages on external resources, and takes customer satisfaction as the primary principle, striving to build a sustainable ecosystem in which customers and partners cooperate closely for long-term value and maintain its competitiveness and leading position in the ever-changing market environment.

Suppliers

The Group is committed to incorporating the concept of sustainable development into its supply chain management and has formulated regulatory documents such as the "Supplier Management Measures"（《供應商管理辦法》）, the "Procurement Management Measures"（《採購管理辦法》）and the "Centralized Procurement Management Measures"（《集中採購管理辦法》）, so as to standardize the Group's supplier management activities. The Group adheres to the principle of "openness, fairness and impartiality" to ensure that all suppliers enjoy equal opportunities. In the meantime, the Group has set clear requirements for the categorization, registration, rights and obligations, as well as assessment and evaluation of suppliers. The Procurement Management Department is responsible for establishing the supplier management system, handling supplier complaints, and conducting daily supervision of and periodic reviews on supplier management activities. Relevant headquarters departments and subsidiaries are responsible for implementing the Supplier Management Measures.

BUSINESS OUTLOOK

In the face of more arduous tasks in 2025, the Group will be fully committed to promoting business development. Firstly, the Group will make every effort to promote market expansion, increase investment and mergers and acquisitions for the main business of waste incineration, and further develop the core areas such as the waste incineration derivative business, the urban and rural environmental sanitation services and site restoration, so as to expand the overall scale of the Group's business and enhance its operating results. Secondly, the Group will continue to strengthen its business operations by actively promoting breakthroughs in project management, increasing revenue and reducing expenses, cutting costs and enhancing efficiency, so as to improve the level of refinement of business operations and management, further optimize its business structure, strengthen cash flow and safety management, and consolidate the foundation of the Group's business development. Thirdly, the Group will thoroughly implement management improvement, focus on its key direction of management improvement, make continuous improvement and optimization, strengthen the foundation for internal development and enhance the Group's ability to maintain steady development. Fourthly, the Group will make meticulous arrangements for its "15th Five-Year Plan". In terms of business, the Group will endeavor to tackle difficulties, enhance quality and deliver growth. In terms of management, with innovation and efficiency enhancement as the basis and "pursuit of excellence" as the work standard, the Group will take bold and proactive actions, work in concert and pay close attention to the implementation of requirements. By taking all these measures, the Group aims to ensure that all operational and management works meet the expected goals and continue to promote its high-quality development.

FINANCIAL REVIEW

Financial Performance

For the year under review, the Group's revenue from its continuing operation of the waste treatment and waste-to-energy business was approximately RMB3,666,591,000, representing a decrease of approximately 10.06% from approximately RMB4,076,596,000 for the corresponding period in 2023. The decrease was mainly because projects under construction were put into commercial operation, resulting in a corresponding decrease in construction revenue, and revenue reduced sharply as a result of the closure of dismantling projects.

For the year under review, the Group's gross profit margin was approximately 35.70%, representing an increase from approximately 34.02% for the corresponding period in 2023. This was mainly attributable to the increase in waste disposal and the continuous improvement in power generation efficiency of some project companies for the current period, which led to an increase in operating income and a decrease in the amortisation of fixed costs. For the year under review, the Group's selling and administrative expenses incurred for continuing operations decreased by approximately RMB854,000 to approximately RMB407,830,000. The change in amount was not material.

For the year under review, net profit attributable to owners of the Company was approximately RMB234,123,000, representing a decrease of approximately 17.96% as compared to RMB285,380,000 for the corresponding period in 2023. This was mainly due to the contraction of the Company's overall business and a relatively significant reduction in revenue from construction, hazardous waste disposal, environment treatment projects, etc..

Financial Position

As at 31 December 2024, the Group had total assets of approximately RMB20,880,537,000 and net assets attributable to owners of the Company were approximately RMB6,661,471,000.

The gearing ratio (calculated as total liabilities divided by total assets) was 66.52%, representing a decrease of 0.47% from 66.99% as at 31 December 2023. The current ratio (calculated as current assets divided by current liabilities) decreased from approximately 1.79 as at 31 December 2023 to approximately 1.37 as at 31 December 2024. The decrease was mainly because the increase in current liabilities for the current period was higher than that in current assets.

Financial Resources

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 31 December 2024, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB702,242,000, representing a decrease of approximately RMB46,000 as compared to approximately RMB702,288,000 as at 31 December 2023. The change in amount was not material. Currently, most of the Group's bank balances are denominated in RMB, HK$ and US$.

Details of the maturity profile of interest-bearing bank and other borrowings as at 31 December 2024 are set out in note 27 to the financial statements.

Borrowings

As at 31 December 2024, the Group had outstanding borrowings of approximately RMB10,647,211,000, representing an increase of approximately RMB175,167,000 as compared to approximately RMB10,472,044,000 as at 31 December 2023. The borrowings comprised secured loans of approximately RMB6,489,729,000 and unsecured loans of approximately RMB4,157,482,000. The borrowings are denominated in RMB and US$. Approximately 33.25% and 66.75% of the borrowings bear interest at fixed rate and variable rate, respectively.

As at 31 December 2024, the Group's undrawn loan facilities amounted to approximately RMB1,393,115,000.

Finance costs decreased by approximately 3.58% from RMB440,919,000 for the corresponding period in 2023 to approximately RMB425,156,000. The decrease was mainly due to the repayment of RMB1 billion of bonds in May 2023 and the replacement of higher interest rate loans with lower interest rate loans in some project companies.

Foreign Exchange Exposure

The majority of the Group's sales, purchases and operating expenses were denominated in US$, HK$ and RMB. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The management will continue to monitor the foreign exchange exposure flexibly and engage in prompt and appropriate hedging activities when needed. During the year ended 31 December 2024, the Group did not enter into any currency hedging transactions.

Pledge of Assets

As at 31 December 2024, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements, bank balances of RMB3,047,000, and leasehold land and buildings of RMB35,145,000.

In addition, as at 31 December 2024, bank deposits of RMB3,028,000 were pledged due to a case of litigation and RMB36,869,000 were mainly pledged to secure service concession arrangements as required by the local governments.

Capital Commitment Arrangements

As at 31 December 2024, the Group had capital commitments of approximately RMB169,460,000 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 2024, the Group provided performance guarantees of approximately RMB222,779,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

The Group had a dispute with Fujian Huifeng Construction Engineering Co., Ltd.（福建惠豐建築工程有限公司）, concerning a construction project contract, amounting to RMB73,477,000. Fujian Huifeng Construction Engineering Co., Ltd. claimed to the court for the unpaid contract amount of RMB67,735,000 and overdue interest payable for project payment of RMB5,742,000. As at 31 December 2024, the lawsuit is still in progress.

Employee Information

As at 31 December 2024, the Group had a total of 3,559 employees, with a male to female ratio of 3.5:1, mainly based in Mainland China. Total staff costs amounted to RMB413.51 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund or regular contributions to the Mandatory Provident Fund Schemes on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid region. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2024. As at 31 December 2024, there are no treasury shares held by the Company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 11 March 2024, Shenzhen Qianhai Capital Environmental Investment Company Limited（深圳前海首創環境投資有限公司）("Shenzhen Qianhai"), a direct wholly-owned subsidiary of the Company, entered into the capital increase agreement with Beijing Capital Eco-Environment Protection Group Co., Ltd.（北京首創生態環保集團股份有限公司）("Capital Eco Group"), a controlling shareholder and a connected person of the Company, and Beijing Capital Environmental Sanitation Company Limited（北京首創環衛有限公司）("Capital Environmental Sanitation"), an indirect wholly-owned subsidiary of the Company immediately before the Capital Increase (as defined below), pursuant to which Capital Eco Group shall subscribe for the corresponding equity interest of RMB33,640,700 (representing approximately 49% of its enlarged registered capital) in the newly increased registered capital of Capital Environmental Sanitation ("Capital Increase"). The consideration for the Capital Increase of RMB33,640,700 shall be settled by Capital Eco Group in cash and shall be paid into the account of Capital Environmental Sanitation on or before 30 June 2024. Upon completion of the Capital Increase, the equity interest of Shenzhen Qianhai in Capital Environmental Sanitation will be diluted to 51%. Since Capital Environmental Sanitation remained as a subsidiary of the Company upon completion of the Capital Increase, the financial results of Capital Environmental Sanitation continued to be consolidated into the financial statements of the Group. It is expected that the Group will not record any gain or loss from the Capital Increase. Please refer to the announcement of the Company dated 11 March 2024 for details.

On 20 August 2024, Shenzhen Qianhai, entered into the capital increase agreement with Capital Eco Group and Capital Environmental Sanitation, pursuant to which Shenzhen Qianhai and Capital Eco Group agreed to increase the registered capital of Capital Environmental Sanitation from RMB9.8039 million to RMB100 million, and Capital Eco Group and Shenzhen Qianhai shall make an additional capital contribution in proportion to their respective existing shareholding in the amounts of RMB44.1961 million and RMB46 million, respectively. Each of Capital Eco Group and Shenzhen Qianhai shall settle the payment of their corresponding capital contribution by 30 June 2026 by remitting the same to the bank account designated by Capital Environmental Sanitation. The additional capital contribution to be made by Shenzhen Qianhai will be funded by the internal resources of the Group. Please refer to the announcement of the Company dated 21 August 2024 for details.

Save as disclosed in this report, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2024.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, the Group had no future plan for material investments or purchase of capital assets during the year ended 31 December 2024.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

During the year ended 31 December 2024, there were no significant investments held by the Group.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no material events which would have an impact on the Company since 31 December 2024 and up to the date of this report.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Fujing, aged 44, holding a master's degree, is a senior economist and engineer. He was appointed as an executive director and the chief executive officer of the Company in November 2019, and was re-designated as the chairman of the board of directors from the chief executive officer on 20 December 2023. Mr. Li is a director and general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Before joining the Company, he worked as assistant to the general manager of the infrastructure department and deputy general manager of the environmental industry department at Beijing Capital Group Co., Ltd..

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

Mr. Li Qingsong, aged 53, is a senior engineer and economist. He was appointed as an executive Director and executive general manager of the Company in August 2021, and was re-designated as the chief executive officer from executive general manager on 20 December 2023. Mr. Li holds a bachelor's degree in port and waterway engineering from the Department of Geography of Zhejiang University, a master's degree in hydraulics and river dynamics from the Department of Water Conservancy of Tsinghua University and a master's degree in business administration from the School of Business Administration of the Chinese University of Hong Kong. Mr. Li had successively acted as an engineer at the Institute of Environmental and Sanitary Engineering Technology(環衛工程技術研究所)of the Urban Construction Design and Research Institute(城市建設研究院)of the Ministry of Construction, the investment manager of the investment and development department, the deputy general manager of Nanjing branch, the general manager of Nanjing branch and the general manager of the investment and development department of southern region of Beijing Capital Eco-Environment Protection Group Co., Ltd., the general manager of Hunan Capital Investment Co., Ltd.(湖南首創投資有限責任公司)and assistant to general manager of Beijing Capital Eco-Environment Protection Group Co., Ltd.. He has extensive experience in investment and financing management.

NON-EXECUTIVE DIRECTOR

Ms. Hao Chunmei, aged 54, is a senior accountant, certified public accountant and certified public valuer, was appointed as an executive director of the Company in April 2018, and subsequently re-designated as non-executive Director in July 2021. Ms. Hao obtained a master's degree in accounting from the Central University of Finance and Economics and a bachelor's degree in mechanical manufacturing from Beihang University. Ms. Hao is currently the chief accountant of Beijing Capital Eco-Environment Protection Group Co., Ltd. (stock code on Shanghai Stock Exchange: 600008). Ms. Hao served as a department head of planning and finance department, the general manager of accounting information department, the general manager of the planning and finance department and general manager of the corporate development centre of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Hao has extensive experience in finance, corporate management, acquisition and merger, and corporate financing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 77, was appointed as an independent non-executive Director of the Company in June 2006. Mr. Pao had been actively serving on the consultation and formulation of government policies, including those relating to town planning, urban renewal, public housing and environment matters, etc. for years. Mr. Pao has been appointed as a Justice of the Peace of Hong Kong since 1987. Mr. Pao was an ex-Urban Councilor. He obtained a Master of Science in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983.

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

Mr. Cheng Kai Tai, Allen, aged 61, was appointed as an independent non-executive Director of the Company in January 2010. Mr. Cheng is a qualified accountant, a fellow member of Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a master's degree of accountancy from Jinan University in Mainland China and is a professional advisor to several international companies of investment management, trading and service industry.

Dr. Chan Yee Wah, aged 59, was appointed as an independent non-executive Director of the Company in July 2012. Dr. Chan has more than 25 years of extensive financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is the founding chairlady of Hong Kong Investor Relations Association; Dr. Chan is also a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries). Dr. Chan graduated from City University of Hong Kong with a bachelor of arts in accounting (Hons). She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. Dr. Chan is currently the Head of Investor Relations of C C Land Holdings Limited（中渝置地控股有限公司）and an independent non-executive director of Xtep International Holdings Limited（特步國際控股有限公司）(a company listed on The Stock Exchange of Hong Kong Limited, stock code: 1368). Dr. Chan has been an independent non-executive director of WebX International Holdings Company Limited（智雲國際控股有限公司）(a company listed on The Stock Exchange of Hong Kong Limited, stock code: 8521) since 5 December 2023.

Dr. Cao Fuguo, aged 58, was appointed as an independent non-executive Director of the Company on 23 May 2023, and holds a doctorate degree in civil and commercial law from Tsinghua University. Dr. Cao is currently a professor of the School of Law, the dean of the PPP Governance Research Institute and a member of the Faculty of Law of the Eighth Academic Committee of Central University of Finance and Economics (中央財經大學), the director of the China Public Procurement Research Institute (中國公共採購研究所), and the director of the Energy Transformation, Low Carbon and Sustainable Procurement Research Center of the Guangdong-Hong Kong-Macao Greater Bay Area (Whampoa) Research Institute (粵港澳大灣區(黃埔)研究院). He is the host and chief expert of the major projects of the National Social Science Fund (國家社科基金重大項目), a new century excellent talent of the Ministry of Education, and a Fulbright visiting scholar. Dr. Cao is also concurrently the legal advisor of the Ministry of Finance, the vice president of the Energy Law Research Association of China Law Society (中國法學會能源法研究會), a member of the Beijing Major Construction Project Advisory Committee (北京市重大建設項目諮詢委員會), an evaluation expert and leader of the evaluation team for the PPP demonstration project of the Ministry of Finance (財政部PPP示範項目), a member of the International Advisory Committee of the Faculty of Business Administration of AIMST University, Malaysia, an independent director of both of Bloomage Biotechnology Corporation Limited (華熙生物科技股份有限公司) (a company listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange) and Huaxin Investment Management Co., Ltd. (華芯投資管理有限公司), a fund manager of National Integrated Circuit Investment Industry.

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

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

SENIOR MANAGEMENT

Ms. Yu Hong（郁紅）, was appointed as the Secretary of the Board and Joint Company Secretary of the Company in December 2024. She is mainly responsible for the Company's administrative management and the workings of the Board. Ms. Yu obtained a master's degree in human resources management from the Division of Population, Graduate School of the Chinese Academy of Social Sciences. Ms. Yu joined the Company in June 2012 and has successively served as deputy general manager of the corporate management department, general manager of the corporate management department, and the director of the office of the board of directors. From February 2018, she serves as the director of the office of the board of directors and also the office director of the Company. Ms. Yu has extensive working experience in corporate management, with over ten years of experience in both areas of environmental protection and capital market, and possesses rich experience in the formulation of corporate development strategies, the promotion of sustainable development policies and the operation of capital market.

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

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

Ms. Wang Ying（王穎）, was appointed as the chief accountant of the Company in November 2024. She is fully responsible for the financial management of the Company. Ms. Wang holds a bachelor's degree and is a certified public accountant in the PRC. Prior to joining the Company, she served as the financial officer of the Urban Water Treatment Division of Beijing Capital Eco-Environment Protection Group Co., Ltd.. Ms. Wang has many years of profound practical experience in both areas of financial management and capital operation.

CORPORATE GOVERNANCE REPORT

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

The Company has complied with all the applicable code provisions set out in the CG Code for the year ended 31 December 2024.

DIRECTORS' MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix C3 to the Listing Rules (the "Model Code") as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company ("Senior Management"). The Company has conducted a specific enquiry to all Directors, and all directors of the Company confirmed that they have fully complied with the required standards set out in the Model Code for the year ended 31 December 2024.

BOARD OF DIRECTORS

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

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

THE MECHANISM WHERE THE BOARD CAN OBTAIN INDEPENDENT VIEWS AND ADVICE

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

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

The Board of the Company comprises two executive Directors, one non-executive Director and four independent non-executive Directors:

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

Non-executive Director
Ms. Hao Chunmei

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

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

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

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

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

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

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

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

Provision C.2.7 of the CG Code provides that the chairman should hold one meeting with independent non-executive directors at least annually without the presence of other directors. During the year ended 31 December 2024, the Chairman of the Company held one meeting with the independent non-executive directors without the presence of other directors.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2024, all Directors participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. During the year ended 31 December 2024, based on the training records provided to the Company by the Directors, the trainings and professional development attended by each Director are as follows:

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

Notes:

A: attending seminars/workshops/forums/training courses

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

DIRECTOR'S AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTOR

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIVERSITY

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

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

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

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

As of 31 December 2024, the ratio of the number of male to female employees among all staffs (including Senior Management) is approximately 77.7% to 22.3% as the Group is principally engaged in provision of waste treatment technologies and services. The Group recognises, and endeavours to protect, the rights of its employees and is committed to providing equal opportunities. The Group engages in transparent and fair recruitment practices, and fair remuneration and disciplinary decisions without regard to gender, age, family position, or ethnic background.

BOARD COMMITTEES

Corporate Governance Functions

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

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

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

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

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

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

During the year ended 31 December 2024, the Board has performed its corporate governance duties in accordance with its terms of reference.

Nomination Committee

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

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

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

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

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

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

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

During the year under review, the Nomination Committee held two meetings to deal with the following matters, among others: (i) the review of the Nomination Policy and the Board Diversity Policy; (ii) the review of the structure, size and composition of the Board; (iii) the assessment of the independence of the independent non-executive Director; (iv) the re-nomination of Mr. Li Qingsong, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah who were retiring at the annual general meeting held on 25 June 2024 as Directors and they were willing for re-election at the same annual general meeting; (v) the nomination of Ms. Yu Hong as the Secretary of the Board and Joint Company Secretary of the Company; and (vi) the nomination of Ms. Wang Ying as the chief accountant (financial controller) of the Company.

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

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

Remuneration Committee

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

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

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

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

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

During the year under review, the Remuneration Committee held two meetings to consider and review the remuneration packages, policy and structure for remuneration of all or individual Directors and Senior Management, and made recommendations to the Board on the service agreement, appointment letter and remuneration packages of individual executive directors and Senior Management.

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

	Meetings attended/held
Mr. Pao Ping Wing *(Chairman of the Remuneration Committee)*	2/2
Mr. Cheng Kai Tai, Allen	2/2
Mr. Li Fujing	2/2

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

Audit Committee

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

– to consider and recommend to the Board on the appointment, re-appointment and removal of external auditor, and to approve their remuneration and employment terms, and any matter relating to their resignation and dismissal;

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

– to review the financial information of the Group;

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

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

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

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

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

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

– reviewing the interim report and interim results announcement for the six months ended 30 June 2024;

– reviewing the annual report and annual results announcement for the year ended 31 December 2023;

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

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

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

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2024, the auditor's remuneration paid or payable in respect of the audit services and non-audit services provided by the auditor to the Group were as follows:

	RMB'000
Audit service	3,897
Non-audit service	1,579
Total	5,476

RISK MANAGEMENT AND INTERNAL CONTROLS

Goals and objectives

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

Main features of the risk management and internal control systems

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

Board of Directors

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

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

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

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

Management

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

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

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

Internal Audit Department

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

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

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

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

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

Procedures for Identifying, Assessing and Managing Significant Risks

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

Internal Environment

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

Risk Assessment

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

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

Control Activities

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

Information and Communication

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

Monitoring

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

- sets up the internal control organization system;
- formulates the specific procedures, methods and work requirements for the risk identification, construction, evaluation and issue of evaluation report; and
- includes the internal control evaluation into the performance appraisal system of the Company to ensure the effectiveness of internal control.

On 11 March 2024, Capital Eco Group, a controlling shareholder of the Company, subscribed for 49% equity interest of Capital Environmental Sanitation, Capital Environmental Sanitation was therefore transformed from a wholly-owned subsidiary of the Company to a connected subsidiary (as defined in the Listing Rules) of the Company. Capital Investment (as the lender) and Capital Environmental Sanitation (as the borrower) had previously entered into a loan agreement, but the Company did not notice that the transaction had become a connected transaction and did not comply with the disclosure requirements for a connected transaction when updating the agreement. In response to this incident, the Company has strengthened the monitoring of the relevant internal policies, procedures and measures of the Group, including contract reporting and signing procedures, and the regular and timely update of the list of the connected persons of the Group, so as to ensure refinement of current and future transactions being adhere to the applicable requirements under the Listing Rules. Please refer to the announcements of the Company dated 16 July 2024 and 8 August 2024 for details.

During the year, the Board has engaged an external independent internal control consultant to conduct various agreed upon reviews over the Company's certain major risk management and internal control systems and reported the findings of the reviews and recommendations to the Board to assist the Board in performing the annual review in terms of the effectiveness of risk management and internal control systems for the year ended 31 December 2024. The Board will conduct an annual review of the risk management and internal control systems.

Pursuant to code provision D2.1 of the CG Code, the Board has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2024, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

Inside Information

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

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

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

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

LEGAL COMPLIANCE

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

During 2024, under the leadership of the legal compliance leading group of the Company, the main tasks of the Legal Compliance Committee are as follows:

– regularly holds a meeting of the Legal Compliance Committee;

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

– completes the target set in the 2024 letter of responsibility for cleaning up cases;

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

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

JOINT COMPANY SECRETARY

Mr. Liu Yanjun ceased to be the joint company secretary of the Company with effect from 2 December 2024. Ms. Yu Hong has been appointed as the joint company secretary with effect from 2 December 2024. Ms. Yu Hong will work with Ms. Lin Sio Ngo, the other current joint company secretary, as the joint company secretaries of the Company.

Ms. Lin is the manager of SWCS Corporate Services Group (Hong Kong) Limited（方圓企業服務集團（香港）有限公司）and is responsible for assisting Ms. Yu in discharging her duties as the joint company secretary of the Company. Ms. Lin's principal contact person at the Company is Ms. Yu Hong.

During the year ended 31 December 2024, Mr. Liu Yanjun, Ms. Yu Hong and Ms. Lin Sio Ngo had confirmed that they had taken no less than 15 hours of relevant professional training, in compliance with the requirements under Rule 3.29 of the Listing Rules.

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

CORPORATE CULTURE

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

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

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

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

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

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

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by Shareholders

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

Procedures for putting forward proposals at Shareholders' meeting

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

Procedures for Shareholders proposing an individual person for election as a Director

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

Procedures for putting forward enquiries to the Board

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

INVESTOR RELATIONS

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

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

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

During the year ended 31 December 2024, there was no significant change in the Articles of Association of the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the financial position of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2024, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Board of the Company presents its report together with the audited consolidated financial statements for the year ended 31 December 2024.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and the consolidated statement of comprehensive income on pages 54 to 55, respectively, on this annual report.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2024 (for the year ended 31 December 2023: Nil).

DIVIDEND POLICY

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

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

BUSINESS REVIEW

A review of the business of the Group during the year, the Group's financial summary based on an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are set out under the section headed Management Discussion and Analysis on pages 8 to 18 of this annual report. The financial risk management objectives and policies of the Group can be found in note 39 to the consolidated financial statements.

RESERVES

The Company's total distributable reserves as at 31 December 2024 amounted to RMB2,470 million, details of which are set out on page 141 of this annual report.

Details of movement in reserves of the Group during the year ended 31 December 2024 are set out in the consolidated statement of changes in equity on pages 58 to 59 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 142 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 27 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2024 was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company or any of their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The list of Directors of the Company during the year ended 31 December 2024 and up to the date of this annual report is set out as follows:

Executive Directors

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

Non-executive Director

Ms. Hao Chunmei

Independent Non-executive Directors

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

In accordance with articles 87 of the articles of association of the Company, Mr. Li Fujing, Ms. Hao Chunmei, Mr. Pao Ping Wing and Dr. Cao Fuguo will retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

CHANGES IN INFORMATION OF DIRECTORS

Save as disclosed in the section headed "**BOARD OF DIRECTORS AND SENIOR MANAGEMENT**", there is no other change in Directors' biographical details which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules from the date of publication of the Company's 2024 interim report up to the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

PERMITTED INDEMNITY PROVISIONS

Currently, the permitted indemnity provisions (as defined in the Hong Kong Companies Ordinance) in relation to the Directors' and Senior Management' liability insurance are in force.

DIRECTORS' SERVICE CONTRACTS

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

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There are no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisting during the year ended 31 December 2024 and at any time up to the date of this annual report.

MANAGEMENT CONTRACTS

Save as disclosed in this annual report, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2024.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, at no time during the year ended 31 December 2024 had the Company or any of its subsidiaries entered into any material contract with any controlling shareholder or any of its subsidiaries, nor had any material contract been entered into for the services provided by any controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2024, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As at 31 December 2024, according to the information available to the Company and to the best knowledge of the Directors, none of the Directors, chief executives of the Company or their associates had interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (b) which were required to be entered into the register maintained by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

As at 31 December 2024, according to the information available to the Company and to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register maintained by the Company pursuant to Section 336 of Part XV of the SFO:

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

Notes:

1. "L" means holding a long position in Shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 31 December 2024.

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

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

Save as the aforesaid, the Company and the Directors were not aware of any person (other than directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 31 December 2024 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

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

Continuing Connected Transaction

Continuing Connected Transaction – Cooperation Framework Agreement

On 11 March 2024, the Company entered into the Cooperation Framework Agreement with Beijing Capital Eco-Environment Protection Group Co., Ltd.（北京首創生態環保集團股份有限公司）("Capital Eco Group"), a controlling shareholder and a connected person of the Company, pursuant to which the subsidiaries of Capital Eco Group, which fall under the Cooperative Area, shall provide entrusted management services to any subsidiaries and/or branches ("Project Companies") of Beijing Capital Environmental Sanitation Company Limited（北京首創環衛有限公司）("Capital Environmental Sanitation"), an indirect wholly-owned subsidiary of the Company, in the Cooperative Area. The Company could develop the market of environmental sanitation and work on environmental sanitation projects by leveraging on the marketing network, experience and expertise of members of Capital Eco Group.

The scope of services includes, but is not limited to: (1) recommending suitable candidates to serve as senior management personnel/responsible persons (e.g. general manager, chief financial officer, and finance personnel) of the Project Companies; and (2) subject to the decision-making powers delegated to i) the meetings of shareholders and board of directors; and ii) the executive directors of the Project Companies of Capital Environmental Sanitation and the compliance with the articles of associations of the Project Companies, such senior management personnel/responsible persons shall be entrusted to exercise the statutory management rights and provide management services on the day-to-day business operations of the Project Companies (including but not limited to production arrangements, sales arrangements, development planning arrangements, asset management, financial management, personnel management and budget arrangements). In accordance with the principles of fairness and reasonableness and pursuant to the Cooperation Framework Agreement, the parties shall enter into specific entrusted management agreements on normal commercial terms in respect of the provision of the entrusted management services. The terms and conditions of the specific entrusted management agreements, including but not limited to the pricing policy, shall in all material aspects in compliance with the principles, directions, terms and conditions of the Cooperation Framework Agreement.

The term of entrusted management lasts from 11 March 2024 to 31 December 2026. It is expected that the annual entrusted management service fee payable under the Cooperation Framework Agreement would not exceed the caps of RMB equivalent of HK$10,000,000, which shall be satisfied by the general working capital. The pricing policy of the entrusted management service fee shall be determined with reference to 1) labour cost; 2) service fee; and 3) performance fee. The labour cost shall be calculated based on the agreed annual salary of the senior management personnel/responsible persons of the Project Companies nominated by the subsidiaries of Capital Eco Group. The amount of service fee and performance fee payable shall be subject to the annual performance of such senior management personnel/responsible persons, which shall be assessed based on a set of performance appraisal criteria to be agreed by the parties to the specific entrusted management agreement.

For the year ended 31 December 2024, the annual cap for the entrusted management service fee payable under the Cooperation Framework Agreement are set at the RMB equivalent of HK$10,000,000. The entrusted management service fee payable/paid under the Cooperation Framework Agreement for the year ended 31 December 2024 amounted to RMBNil, which did not exceed the annual cap for that year.

Capital Eco Group is deemed to have an interest in approximately 45.11% of the issued Shares of the Company and is a controlling shareholder and a connected person of the Company. Therefore, the transactions contemplated under the Cooperation Framework Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of transactions contemplated under the Cooperation Framework Agreement exceed 0.1% but all are below 5%, the transactions contemplated under the Cooperation Framework Agreement are therefore subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

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

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

2. on normal commercial terms or better; and

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

Pursuant to Rule 14A.56 of the Listing Rules, the Board appointed the auditor of the Company to carry out several agreed audit procedures in respect of the continuing connected transaction of the Group. The auditor reported to the Board the actual audit findings of such procedures, and confirmed in a letter to the Board that nothing had come to its attention which causes it to believe that the aforesaid continuing connected transaction: (i) had not been approved by the Board; (ii) was not entered into, in all material respects, in accordance with the pricing policy of the Group; (iii) was not entered into, in all material respects, in accordance with the relevant agreements in respect of such transactions; and (iv) had exceeded the relevant annual cap.

Please refer to the announcements of the Company dated 11 March 2024, 28 March 2024 and 13 June 2024 for more details.

Connected Transactions

Connected Transaction – Capital Increase Agreement (1)

On 11 March 2024, Shenzhen Qianhai Capital Environmental Investment Company Limited（深圳前海首創環境投資有限公司）("Shenzhen Qianhai"), a direct wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Beijing Capital Eco-Environment Protection Group Co., Ltd.（北京首創生態環保集團股份有限公司）("Capital Eco Group") and Beijing Capital Environmental Sanitation Company Limited（北京首創環衛有限公司）("Capital Environmental Sanitation"), an indirect wholly-owned subsidiary of the Company immediately before the Capital Increase, pursuant to which Capital Eco Group shall subscribe for the corresponding equity interest of RMB33,640,700 (representing approximately 49% of its enlarged registered capital) in the newly increased registered capital of Capital Environmental Sanitation (the "Capital Increase"). Immediately upon completion of the Capital Increase, the equity interest of Shenzhen Qianhai in Capital Environmental Sanitation was diluted to 51%. By entering into the Capital Increase Agreement, Capital Environmental Sanitation will be benefited by the marketing network, experience and expertise of members of Capital Eco Group on the future operation and development of the businesses of Capital Environmental Sanitation.

The consideration for the Capital Increase is RMB33,640,700, which has been determined after arm's length negotiations between Shenzhen Qianhai and Capital Eco Group with reference to the valuation on Capital Environmental Sanitation as at 31 March 2023 by the Independent Valuer adopting the income approach. The appraised value of the total shareholders' equity of Capital Environmental Sanitation as at 31 March 2023 was RMB35,013,800. On this basis, the Directors are of the view that the amount of the Capital Increase is fair and reasonable. The consideration for the Capital Increase shall be settled by Capital Eco Group in cash and shall be paid into the account of Capital Environmental Sanitation on or before 30 June 2024.

Immediately before the Capital Increase, Capital Environmental Sanitation was an indirect wholly-owned subsidiary of the Company holding through Shenzhen Qianhai. The transaction contemplated under the Capital Increase constitutes a connected transaction of the Company and a deemed disposal under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement exceed 0.1% but all are below 5%, the transaction contemplated under the Capital Increase Agreement is subject to the reporting, announcement and annual review requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules. The Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios in respect of the Capital Increase exceed 0.1% but all are less than 5%.

Please refer to the announcements of the Company dated 11 March 2024, 28 March 2024 and 13 June 2024 for more details.

Connected Transaction – Provision of Financial Assistance to a Connected Subsidiary

On 16 July 2024, Beijing Capital Environment Investment Limited(北京首創環境投資有限公司)("Capital Investment"), an indirect wholly-owned subsidiary of the Company, as lender, entered into the Loan Extension Agreement with Capital Environmental Sanitation, as borrower, for the extension of the repayment date of the remaining balance of the Previous Loan.

The principal amount of the loan is RMB7,000,000, with a term from 26 June 2024 to 25 June 2025. The interest rate is set at 6.5% per annum, which is determined after arm's length negotiation and taken into account the Group's overall management and financing costs in such regard. Interest will be paid on a quarterly basis, with the principal amount being repaid in full in one lump sum on the repayment date. No security is provided by Capital Environmental Sanitation. The loan is intended for financing Capital Environmental Sanitation's working capital in relation to the Renqiu Project(任丘項目), being a cleaning, collection and transportation and management project which the Group provides waste collection and transportation, and cleaning and sanitation services to the designated areas in Renqiu City(任丘市), Hebei Province. The Group has financed the Previous Loan and will continue to finance the Loan Extension Agreement with the Group's general working capital.

Capital Environmental Sanitation is held as to 51% by Shenzhen Qianhai and 49% by Capital Eco Group, respectively. Capital Eco Group is deemed to have an interest in approximately 45.11% of the issued Shares of the Company and is a controlling shareholder and a connected person of the Company at the issuer level. Accordingly, Capital Environmental Sanitation is a connected subsidiary of the Company and the entering into of the Loan Extension Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios in respect of the transaction contemplated under the Loan Extension Agreement exceed 0.1% but all are below 5%, such transaction does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules but constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Please refer to the announcements of the Company dated 16 July 2024 and 8 August 2024 for more details.

Connected Transaction – Capital Increase Agreement (2)

On 20 August 2024, Shenzhen Qianhai, a direct wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Capital Eco Group and Capital Environmental Sanitation, pursuant to which Shenzhen Qianhai and Capital Eco Group agreed to increase the registered capital of Capital Environmental Sanitation to RMB100 million by contributing additional capital in proportion to their respective existing shareholding in Capital Environmental Sanitation. The Capital Increase will enable Capital Environmental Sanitation to enhance its financial position and capability for its operation and financing, as well as to satisfy the expected capital requirement for the continuous development of its provision of environmental sanitation services for rural areas in the PRC, which in turn is beneficial to the Group in the long run.

The registered capital of Capital Environmental Sanitation will be increased from RMB9.8039 million to RMB100 million, and Capital Eco Group and Shenzhen Qianhai shall make an additional capital contribution in proportion to their respective existing shareholding in the amounts of RMB44.1961 million and RMB46 million, respectively. The amount of the Capital Increase is determined after arm's length negotiations between Shenzhen Qianhai and Capital Eco Group with reference to (i) the current capital status of Capital Environmental Sanitation; (ii) the capital requirements of Capital Environmental Sanitation for future development and (iii) the respective shareholdings of Capital Eco Group and Shenzhen Qianhai in Capital Environmental Sanitation. Each of Capital Eco Group and Shenzhen Qianhai shall settle the payment of their corresponding capital contribution by 30 June 2026 by remitting the same to the bank account designated by Capital Environmental Sanitation. The additional capital contribution to be made by Shenzhen Qianhai will be funded by the internal resources of the Group.

As at the date of the Capital Increase Agreement, Capital Eco Group is deemed to have an interest in approximately 45.11% of the issued Shares of the Company and is a controlling shareholder and a connected person of the Company at the issuer level. Accordingly, Capital Environmental Sanitation is a connected subsidiary of the Company and the Capital Increase under the Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. On 16 July 2024, a wholly-owned subsidiary of the Company entered into a loan extension agreement with Capital Environmental Sanitation for a loan in the principal amount of RMB7,000,000. For details, please refer to the announcement of the Company dated 16 July 2024. Since the said loan extension agreement was entered into within a 12-month period from the Capital Increase, the relevant transaction amount was therefore aggregated pursuant to Rule 14A.81 of the Listing Rules. Since one or more of the applicable percentage ratios in respect of the transaction contemplated under the Capital Increase Agreement and the said loan extension agreement, in aggregate, exceed 0.1% but all are below 5%, the transaction contemplated is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules. The Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Listing Rules as one or more of the applicable percentage ratios in respect of the Capital Increase exceed 0.1% but all are less than 5%.

The capital contribution by Capital Eco Group to Capital Environmental Sanitation is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.92(1) of the Listing Rules on the basis that Capital Eco Group's capital contribution will be made in proportion to its equity interest in Capital Environmental Sanitation.

Please refer to the announcement of the Company dated 21 August 2024 for more details.

Related Party Transactions

During the year ended 31 December 2024, certain related party transactions as disclosed in note 36 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in the Listing Rules. Save as disclosed in this annual report, none of the related party transactions as disclosed in note 36 to the consolidated financial statements constitute any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 15.96% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 4.34%. Purchase from the Group's five largest suppliers accounted for 9.24% of the Group's total purchases for the year and purchase from the Group's largest supplier included therein accounted for 3.78%.

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares as defined under the Listing Rules) during the year ended 31 December 2024. As at 31 December 2024, there were no treasury shares held by the Company.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 23 to 37 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's fulfillment of its environmental and social responsibilities will be set out in the Sustainability Report, which will be uploaded to the website of the Company and the website of the Stock Exchange by the end of April 2025.

MAIN RISKS AND UNCERTAINTY

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

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement during the year ended 31 December 2024.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best knowledge of the Board and the management, the Group is in compliance with applicable laws and regulations that may have significant effect on the business and operations of the Group. The Group did not record any material losses and impacts arising from non-compliance with laws and regulations during the year ended 31 December 2024. Details are set out in the section headed "Management Discussion and Analysis" of this annual report.

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2024 have been audited by Ernst & Young.

On behalf of the Board

Chairman
Li Fujing

Beijing, 21 March 2025

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 54 to 141, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter

Accounting treatment for service concession arrangements

The Group entered into service concession arrangements with government authorities or their designators in respect of the waste management and waste-to-energy businesses in Mainland China. The arrangements were accounted for in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*. The accounting treatment for service concession arrangements involved significant management judgements and estimates, including the determination of applicable accounting models, prevailing market rates of construction gross margins and discount rates as used in the valuation process, and the determination of the percentage of completion of construction services. As a result, we identified the accounting treatment for service concession arrangements as a key audit matter.

The accounting policies and disclosures for service concession arrangements are included in notes 2.4, 3, 5, 16, 18 and 19 to the financial statements.

Our audit procedures include, among others, the following:

– Evaluating the accounting models adopted by the Group and assessing the future guaranteed receipts by reviewing the contract terms of the service concession arrangements; performing a comparison of the inputs to the accounting models with external market data, especially for gross margin, for which we considered the observable market data and comparable companies in the industry; and with the assistance of our internal valuation specialists, evaluating the discount rates; and

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

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

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of other intangible assets in relation to service concession arrangements	
As at 31 December 2024, the carrying amount of other intangible assets in relation to service concession arrangements was RMB4,742 million, representing waste treatment and waste-to-energy operating rights of the Group to charge local government authorities for treating waste and to charge the other users for products produced during the waste treatment process. Under HKAS 36, the Group is required to perform impairment testing of other intangible assets in relation to service concession arrangements when an indicator of impairment has been identified. The process requires management to make assumptions to be used in the underlying cash flow forecasts, in particular those related to the future revenue growth rate, operating margins and discount rate. Management performed impairment testing with respect to the assets of those loss-making projects during the operation phase with a total gross amount of RMB961 million as at 31 December 2024 and impairment amounting to RMB54 million was provided for in the current year. Given the level of judgement involved and the significance of the amounts, we considered this as a key audit matter. The accounting policies and disclosures of impairment of other intangible assets in relation to service concession arrangements are included in notes 2.4, 3 and 16 to the financial statements.	Our audit procedures include, among others, the following: – Evaluating the Group's policies and procedures to identify triggering events for potential impairment of assets related to the underperforming cash-generating units and management's assessment on impairment indicators; – Evaluating the methodologies and discount rate used by the Group with the assistance of our internal valuation specialists; comparing the key assumptions used in the impairment test made by management, i.e., the future revenue growth rate over the concession period and operating margin, to the historical performance of the Group, management's business development plan and the future prospects of the business; and – Reviewing the sensitivity analysis for the recoverable amounts of the respective cash-generating units prepared by management. We also assessed the adequacy of the relevant disclosures, especially for those key assumptions to which the outcome of the impairment test is sensitive.

KEY AUDIT MATTERS *(Continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables	
As at 31 December 2024, the carrying amounts of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables were RMB9,351 million, RMB250 million and RMB2,580 million respectively, net of provision for expected credit losses of RMB137 million, RMB2 million and RMB176 million, respectively. Significant management judgements and estimations are involved in the assessment of expected credit losses after considering historical events, current conditions and forward-looking credit risk information. As a result, we identified the impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables as a key audit matter requiring special audit consideration. The accounting policies and disclosures of impairment of concession financial assets, contract assets (excluding contract assets in relation to intangible assets) and trade receivables are included in notes 2.4, 3, 18, 19 and 22 to the financial statements.	Our audit procedures include, among others, the following: – Obtaining an understanding of management's basis in determining expected credit losses; – Evaluating management's basis of estimation of loss rate by checking ageing profiles and historical settlement patterns on sample basis; and – Evaluating the methodology of expected credit losses calculation and the key parameters used with reference to external available data sources. In addition, we assessed the adequacy of the relevant disclosures.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
21 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	2024 *RMB'000*	2023 *RMB'000*
REVENUE	5	**3,666,591**	4,076,596
Cost of sales		**(2,357,495)**	(2,689,827)
Gross profit		**1,309,096**	1,386,769
Other income and gains	5	**106,295**	84,495
Selling expenses		**(14,452)**	(28,856)
Administrative expenses		**(393,378)**	(379,828)
Other expenses		**(96,023)**	(216,405)
Impairment losses on financial and contract assets, net		**(152,458)**	(112,946)
Finance costs	7	**(425,156)**	(440,919)
Share of profits of associates		**4,861**	3,614
PROFIT BEFORE TAX	6	**338,785**	295,924
Income tax expense	10	**(68,215)**	(37,535)
PROFIT FOR THE YEAR		**270,570**	258,389
Attributable to:			
Owners of the parent		**234,123**	285,380
Non-controlling interests		**36,447**	(26,991)
		270,570	258,389
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	12	**RMB1.64 cents**	RMB2.00 cents
Diluted	12	**RMB1.64 cents**	RMB2.00 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**270,570**	258,389
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**(3,612)**	(8,331)
	(3,612)	(8,331)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(3,612)**	(8,331)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	**(200)**	(6,800)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**(200)**	(6,800)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(3,812)**	(15,131)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**266,758**	243,258
Attributable to:		
Owners of the parent	**232,081**	274,330
Non-controlling interests	**34,677**	(31,072)
	266,758	243,258

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	**31 December 2024** ***RMB'000***	31 December 2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	13	**482,482**	525,001
Right-of-use assets	14	**61,873**	74,489
Goodwill	15	**6,055**	6,055
Other intangible assets	16	**4,744,501**	4,803,394
Investments in associates	17	**56,686**	41,388
Trade receivables	22	**–**	78,853
Equity investment designated at fair value through other comprehensive income		**–**	200
Deferred tax assets	29	**65,185**	46,443
Concession financial assets	18	**7,685,079**	7,797,224
Contract assets	19	**376,999**	469,620
Prepayments, other receivables and other assets	20	**184,522**	107,275
Pledged deposits	23	**5,746**	6,849
Total non-current assets		**13,669,128**	13,956,791
CURRENT ASSETS			
Inventories	21	**89,743**	77,616
Concession financial assets	18	**1,665,781**	1,631,688
Contract assets	19	**1,204,044**	910,285
Trade receivables	22	**2,580,311**	2,000,260
Prepayments, other receivables and other assets	20	**975,034**	1,015,087
Pledged deposits	23	**37,198**	33,628
Cash and cash equivalents	23	**659,298**	661,811
Total current assets		**7,211,409**	6,330,375
CURRENT LIABILITIES			
Trade payables	24	**1,603,234**	1,650,810
Other payables and accruals	25	**257,671**	261,067
Deferred income	26	**17,601**	17,047
Interest-bearing bank and other borrowings	27	**3,040,100**	1,364,343
Corporate bonds	28	**–**	–
Lease liabilities	14	**–**	21,911
Amounts due to related parties		**268,000**	141,012
Tax payable		**60,404**	71,879
Total current liabilities		**5,247,010**	3,528,069
NET CURRENT ASSETS		**1,964,399**	2,802,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,633,527**	16,759,097

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2024

	Notes	**31 December 2024** *RMB'000*	31 December 2023 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	26	**333,344**	297,554
Interest-bearing bank and other borrowings	27	**7,607,111**	9,107,701
Deferred tax liabilities	29	**701,602**	657,977
Total non-current liabilities		**8,642,057**	10,063,232
Net assets		**6,991,470**	6,695,865
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	30	**1,275,167**	1,275,167
Reserves	31	**5,386,304**	5,154,223
		6,661,471	6,429,390
Non-controlling interests		**329,999**	266,475
Total equity		**6,991,470**	6,695,865

Li Fujing
Director

Li Qingsong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 30)	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Merger reserve RMB'000	Other reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	1,275,167	462,602	4,702	1,488,583	(481,084)	–	(9,233)	(59,433)	3,812,044	6,493,348	190,736	6,684,084
Profit for the year	–	–	–	–	–	–	–	–	285,380	285,380	(26,991)	258,389
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	(6,800)	–	–	(6,800)	–	(6,800)
Exchange differences related to foreign operations	–	–	–	–	–	–	–	(4,250)	–	(4,250)	(4,081)	(8,331)
Total comprehensive income for the year	–	–	–	–	–	–	(6,800)	(4,250)	285,380	274,330	(31,072)	243,258
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	23,299	23,299
Final 2022 dividend declared	–	–	–	–	–	–	–	–	(130,694)	(130,694)	–	(130,694)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(124,082)	(124,082)
Provision for safety production fund	–	–	–	–	–	10,507	–	–	(10,507)	–	–	–
Others	–	–	–	–	–	–	–	(207,594)	–	(207,594)	207,594	–
At 31 December 2023	1,275,167	462,602	4,702	1,488,583	(481,084)	10,507	(16,033)	(271,277)	3,956,223	6,429,390	266,475	6,695,865

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2024

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 30)	Share premium RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Merger reserve** RMB'000	Other reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	1,275,167	462,602	4,702	1,488,583	(481,084)	10,507	(16,033)	(271,277)	3,956,223	6,429,390	266,475	6,695,865
Profit for the year	-	-	-	-	-	-	-	-	234,123	234,123	36,447	270,570
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(1,842)	-	(1,842)	(1,770)	(3,612)
Total comprehensive income for the year	-	-	-	-	-	-	(200)	(1,842)	234,123	232,081	34,677	266,758
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	-	-	75,358	75,358
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,900)	(4,900)
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(41,611)	(41,611)
Provision for safety production fund	-	-	-	-	-	9,870	-	-	(9,870)	-	-	-
At 31 December 2024	1,275,167	462,602*	4,702*	1,488,583*	(481,084)*	20,377*	(16,233)*	(273,119)*	4,180,476*	6,661,471	329,999	6,991,470

* These reserve accounts comprise the consolidated reserves of RMB5,386,304,000 (31 December 2023: RMB5,154,223,000) in the consolidated statement of financial position.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**338,785**	295,924
Adjustments for:			
Depreciation of property, plant and equipment	13	**57,941**	62,797
Amortisation of other intangible assets	16	**193,991**	219,866
Depreciation of right-of-use assets	14	**12,616**	11,859
Loss on disposal of items of property, plant and equipment	6	**288**	22
Impairment of prepayments, other receivables and other assets	6	**1,135**	2,891
Impairment of trade receivables	22	**85,901**	36,585
Impairment of concession financial assets	6	**25,092**	68,427
Impairment of contract assets	6	**40,330**	5,043
Impairment of other intangible assets	6	**54,000**	197,800
Impairment loss recognised on property, plant and equipment	6	**33,520**	6,834
Impairment loss recognised on right-of-use assets	6	**–**	3,638
Share of profits of associates		**(4,861)**	(3,614)
Interest income		**(556,952)**	(535,519)
Finance costs	7	**425,156**	440,919
Gain on termination of a lease contract	6	**–**	(2,838)
		706,942	810,634
Increase in inventories		**(12,127)**	(12,386)
Decrease in concession financial assets and relevant contract assets in relation to service concession arrangements		**569,177**	76,440
Increase in trade receivables		**(445,908)**	(284,329)
Increase in other contract assets		**(433,378)**	(595,780)
(Increase)/decrease in prepayments, other receivables and other assets		**11,359**	(36,951)
Increase in deferred income		**36,572**	1,602
Decrease in trade payables		**(47,576)**	(144,910)
Decrease in other payables and accruals		**(32,706)**	(124,403)
Cash generated from/(used in) operations		**352,355**	(310,083)
Profits tax paid		**(54,807)**	(75,135)
Net cash flows from/(used in) operating activities		**297,548**	(385,218)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Net cash flows from/(used in) operating activities		**297,548**	(385,218)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(54,697)**	(39,397)
Additions of other intangible assets in relation to service concession arrangements and related contract assets		**(187,301)**	(250,368)
Additions to other intangible assets		**(14)**	(489)
Proceeds from disposal of items of property, plant and equipment		**5,467**	2,064
Dividends received from an associate		**–**	4,390
Interest received		**8,241**	9,403
Acquisition of subsidiaries		**–**	(6,040)
Deregistration of a subsidiary		**(4,900)**	–
Disposal of the discontinued operation		**–**	46,275
Capital injection to an associate		**(10,437)**	–
Disposal of a service concession arrangement		**31,511**	–
Increase in pledged deposits		**(2,467)**	(3,251)
Net cash flows used in investing activities		**(214,597)**	(237,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(273,510)**	(346,672)
New bank and other borrowings		**1,380,190**	3,124,832
Principal portion of lease payments		**(22,890)**	(11,445)
Repayment of bank and other borrowings		**(1,199,391)**	(1,754,791)
Repayment of corporate bonds	28	**–**	(1,000,000)
Dividends paid to non-controlling shareholders		**(41,611)**	(124,082)
Dividends paid to shareholders		**–**	(130,694)
Capital contribution from non-controlling shareholders of subsidiaries		**75,358**	23,299
Net cash flows used in financing activities		**(81,854)**	(219,553)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,097**	(842,184)
Cash and cash equivalents at beginning of year		**661,811**	1,512,806
Effect of foreign exchange rate changes, net		**(3,610)**	(8,811)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**659,298**	661,811
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**702,242**	702,288
Pledged deposits	23	**(42,944)**	(40,477)
Cash and cash equivalents as stated in the statement of cash flows		**659,298**	661,811

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

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

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

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

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	PRC/Mainland China	RMB100,000,000	–	100	Waste treatment and waste-to-energy generation
Suiping Capital Environmental Sanitation Company Limited (遂平首創城鄉環衛有限公司)	PRC/Mainland China	RMB10,000,000	–	100	Waste collection and transportation
Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司)	PRC/Mainland China	RMB80,700,000	–	55	Construction waste treatment technical services
Beijing Capital Environmental Sanitation Company Limited (北京首創環衛有限公司)	PRC/Mainland China	RMB100,000,000	–	51	Waste treatment
Beijing Capital Solid Environment Technology Co., Ltd. (北京首拓環境科技有限公司)**	PRC/Mainland China	RMB50,000,000	–	100	Provision of technical services
Dingxi Capital Solid Environment Energy Co., Ltd. (定西首拓環保能源有限公司)	PRC/Mainland China	RMB4,480,000	–	100	Waste collection and transportation
Yongji Huaxinda Clean Energy Co., Ltd. (永濟市華信達清潔能源有限公司)	PRC/Mainland China	RMB100,000,000	–	80	Waste treatment and waste-to-energy generation
Huainan Capital Environment Recovery Engineering Co., Ltd. (淮南首創環境修復工程有限公司)	PRC/Mainland China	RMB66,900,000	–	100	Restoration and operation of waste accumulation sites
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司)	PRC/Mainland China	RMB28,571,500	–	100	Municipal solid waste treatment
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎岩生活垃圾處理有限公司)	PRC/Mainland China	RMB10,000,000	–	100	Municipal solid waste treatment
Yutian Capital Environmental Energy Co., Ltd. (玉田首創環保能源有限公司)	PRC/Mainland China	RMB106,920,000	–	100	Waste treatment and waste-to-energy generation
Gaoan Capital Environmental Sanitation Co., Ltd. (高安首創環衛有限公司)	PRC/Mainland China	RMB20,000,000	–	51	Waste collection and transportation

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Zhumadian Tailai Environmental Protection Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	PRC/Mainland China	RMB350,842,420	–	91.45	Waste treatment and waste-to-energy generation
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	PRC/Mainland China	RMB80,000,000	–	100	Biomass incineration power generation
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	PRC/Mainland China	RMB135,000,000	–	100	Waste treatment and waste-to-energy generation
Duchang Capital Environmental Energy Co., Ltd. (都昌縣首創環保能源有限公司)	PRC/Mainland China	RMB193,000,000	–	100	Waste treatment and waste-to-energy generation
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)	PRC/Mainland China	RMB125,000,000	–	100	Waste treatment and waste-to-energy generation
Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司)	PRC/Mainland China	RMB66,650,000	–	89.91	Municipal solid waste treatment
Fuzhou Capital Haihuan Environmental Technology Co., Ltd. (福州首創海環環保科技有限公司)*	PRC/Mainland China	RMB113,690,000	51	0.44	Kitchen waste treatment
Fuzhou Capital Solid Environment Development Co., Ltd. (福州首拓環境發展有限公司)	PRC/Mainland China	RMB10,000,000	–	100	Investment holding
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PRC/Mainland China	RMB108,591,700	–	89.8	Waste treatment and waste-to-energy generation
Xiangxi Autonomous Prefecture Capital Environmental Co., Ltd. (湘西自治州首創環保有限公司)	PRC/Mainland China	RMB220,000,000	–	88.5	Waste treatment and waste-to-energy generation

1. CORPORATE AND GROUP INFORMATION *(Continued)*
Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Huojia Capital Environmental Treatment Co., Ltd. (獲嘉縣首創環境治理有限公司)	PRC/Mainland China	RMB14,700,000	–	66.7	Municipal solid waste treatment
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)	PRC/Mainland China	RMB78,600,000	–	99	Waste treatment and waste-to-energy generation
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	PRC/Mainland China	RMB92,000,000	–	100	Biomass incineration power generation
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	PRC/Mainland China	RMB118,000,000	–	100	Waste treatment and waste-to-energy generation
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)	PRC/Mainland China	RMB116,608,100	–	99	Waste treatment and waste-to-energy generation
Fangcheng Capital Environmental Energy Technology Co., Ltd. (方城首創環境能源科技有限公司)	PRC/Mainland China	RMB108,191,571	–	99.9	Waste treatment and waste-to-energy generation
Shenzhou Capital Environmental Sanitation Co., Ltd. (深州首創環衛有限公司)	PRC/Mainland China	RMB8,210,000	–	100	Waste collection and transportation
Dali Capital Environmental Restoration Co. Ltd. (大理首創環境修復有限公司)	PRC/Mainland China	RMB50,000,000	–	90	Environment restoration
Sanhe Capital Sanitation Co. Ltd. (三河市首創環衛有限公司)	PRC/Mainland China	RMB27,810,467	–	90	Municipal solid waste treatment
Xinjiang Tianfu Waste Incineration Power Generation Co. Ltd. (新疆天富垃圾焚燒發電有限責任公司)	PRC/Mainland China	RMB450,000,000	–	100	Waste treatment and waste-to-energy generation
Ma'anshan Shouhui Urban Environmental Services Co., Ltd. (馬鞍山首匯城市環境服務有限公司)	PRC/Mainland China	RMB14,488,000	–	51	Municipal solid waste treatment

1. CORPORATE AND GROUP INFORMATION *(Continued)*

Information about subsidiaries *(Continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Ma'anshan Jingkai Shouhuan Urban Environmental Services Co., Ltd. (馬鞍山經開首環城市環境服務有限公司)	PRC/Mainland China	RMB9,163,200	–	51	Municipal solid waste treatment
Xinye Capital Environmental Technology Co., Ltd. (新野首創環境科技有限公司)	PRC/Mainland China	RMB10,600,000	–	99.9	Municipal solid waste treatment
Zhejiang Capital City Service Co., Ltd (浙江首創城市服務有限公司)	PRC/Mainland China	RMB10,000,000	–	51	Municipal solid waste treatment
Tongling Capital Fenxun Urban Environmental Service Co., Ltd (銅陵首創奮迅城市環境服務有限公司)	PRC/Mainland China	RMB4,000,000	–	90	Municipal solid waste treatment
Zhangjiajie Capital Environmental Sanitation Co., Ltd (張家界首創環衛有限公司)	PRC/Mainland China	RMB2,760,000	–	100	Waste collection and transportation
Langfang Capital City Wisdom Service Co., Ltd (廊坊首創城慧服務有限公司)	PRC/Mainland China	RMB144,670,000	–	95	Municipal solid waste treatment

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

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. The Group intends to apply these new and revised HKFRSs, if applicable, when they become effective.

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	*Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7*[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRSs. HKFRS 18 and the consequential amendments to other HKFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRSs. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

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

Amendments to HKFRS 9 and HKFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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

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

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

Annual Improvements to HKFRS Accounting Standards – Volume 11 set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

- HKFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

- HKFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

- HKAS 7 *Statement of Cash Flows*: The amendments replace the term “cost method” with “at cost” in paragraph 37 of HKAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group’s financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

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

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

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

Business combinations and goodwill

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

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

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

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

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

Fair value measurement

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Fair value measurement *(Continued)*

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

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

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

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

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

Impairment of non-financial assets

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Related parties

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

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

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

  (ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.00%
Plant, machinery and equipment	6.67% to 20.00%
Motor vehicles	6.67% to 33.33%
Leasehold improvements	Over the shorter of the lease terms and 20.00%

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

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

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

Intangible assets (other than goodwill)

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

Service concession arrangements

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

Software

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

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

Research and development costs

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

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

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

Leases

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

Group as a lessee

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

(a) *Right-of-use assets*

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

Leasehold land	50 years
Buildings	2 years

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Group as a lessee *(Continued)*

(b) Lease liabilities

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

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

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

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

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

Group as a lessor

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Subsequent measurement *(Continued)*

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

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

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

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

General approach

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Simplified approach

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

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

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

Derecognition of financial liabilities

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Inventories

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

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

Cash and cash equivalents

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

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

Provisions

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

Government grants

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

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

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

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

Revenue recognition

Revenue from contracts with customers

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Revenue from contracts with customers *(Continued)*

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

(a) Sale of goods

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

(b) Construction services

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

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

(c) Waste management services

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

Other income

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

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Contract assets

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

Contract liabilities

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

Contract costs

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

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

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

(c) The costs are expected to be recovered.

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

Employee benefits

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

Borrowing costs

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Dividends

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

Foreign currencies

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

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

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

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

The functional currencies of certain subsidiaries not in Mainland China are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of foreign operations are translated into RMB at the rates of exchange prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

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

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

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

For the purpose of the consolidated statement of cash flows, the cash flows of non-PRC subsidiaries are translated into RMB at the exchange rates prevailing at the dates of the cash flows. Frequently recurring cash flows of subsidiaries not in Mainland China which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Service concession arrangements

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

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

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

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

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

Judgements *(Continued)*

Tax provisions

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

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

Estimation uncertainty

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

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

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

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

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's concession financial assets, contract assets, other receivables and trade receivables is disclosed in notes 18, 19, 20 and 22 to the financial statements, respectively.

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

Estimation uncertainty *(Continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. These non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year ended 31 December 2024, impairment of property, plant and equipment was provided for with an amount of approximately RMB33,520,000 (2023: RMB6,834,000), impairment of right-of-use assets was provided for with an amount of nil (2023: RMB3,638,000), and impairment of other intangible assets in relation to service concession arrangements was provided for with an amount of approximately RMB54,000,000 (2023: RMB197,800,000). Further details are given in notes 13, 14 and 16, respectively.

Progress towards complete satisfaction of a performance obligation

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

Deferred income tax

Deferred tax assets relating to certain deductible temporary differences and unused tax losses are recognised as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in the statement of profit or loss for the period in which such a reversal takes place. The carrying value of deferred tax assets at 31 December 2024 was approximately RMB65,185,000 (2023: RMB46,443,000).

4. OPERATING SEGMENT INFORMATION

The Group has only one reporting segment, which is the waste treatment and waste-to-energy business in the PRC.

5. REVENUE, OTHER INCOME AND GAINS

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

Revenue

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**3,147,996**	3,559,460
Effective interest income on concession financial assets	**518,595**	517,136
Total	**3,666,591**	4,076,596

(i) Revenue from contracts with customers

Disaggregated revenue information:

	2024 RMB'000	2023 RMB'000
Types of goods or services		
Construction services under service concession arrangements	**339,823**	535,159
Operation services under service concession arrangements	**2,054,663**	1,925,332
Electronic appliance dismantling	**1,297**	233,700
Operation services not under service concession arrangements	**365,227**	399,468
Others	**386,986**	465,801
Total	**3,147,996**	3,559,460
Timing of revenue recognition		
Goods transferred at a point in time	**103,898**	331,513
Services transferred over time	**3,044,098**	3,227,947
Total	**3,147,996**	3,559,460

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB35,353,000 (2023: RMB30,027,000).

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

Revenue *(Continued)*

(ii) Performance obligations

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

Construction services under service concession arrangements

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

Operation services under service concession arrangements

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

Construction services not under service concession arrangements

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

Operation services not under service concession arrangements

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

Electronic appliance dismantling

Revenue from electronic appliance dismantling is derived from two performance obligations: the sale of dismantled parts which is satisfied upon delivery and payment in advance is normally required; and the rendering of dismantling services to the PRC government which is satisfied over time as the services are rendered and payment depends on the completion of government administrative procedures.

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

	2024 ***RMB'000***	2023 *RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**1,426,705**	1,463,455
After one year	**26,383,101**	24,551,656
Total	**27,809,806**	26,015,111

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

Revenue *(Continued)*

(ii) Performance obligations *(Continued)*

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

Other income and gains

	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**6,600**	11,485
Other interest income	**31,757**	6,898
Government grants*	**57,874**	51,446
Gain on termination of a lease contract	**–**	2,838
Foreign exchange gains	**–**	7,861
Others	**10,064**	3,967
Total	**106,295**	84,495

* Government grants of RMB57,874,000 (2023: RMB51,446,000) were granted during the year were mainly subsidies to certain waste treatment projects of the Group and PRC value-added tax refunds. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants. Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the consolidated statement of financial position.

6. PROFIT BEFORE TAX

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of services rendered for service concession arrangements		**1,622,565**	1,785,197
Cost of other services provided		**662,731**	626,026
Cost of inventories sold		**72,199**	278,604
Depreciation*			
– Property, plant and equipment	13	**57,941**	62,797
– Right-of-use assets	14	**12,616**	11,859
Amortisation of other intangible assets*	16	**193,991**	219,866
Research and development costs		**53,218**	42,740
Lease payments not included in the measurement of lease liabilities*		**5,872**	6,421
Auditor's remuneration			
– Audit services		**3,897**	3,804
– Non-audit services		**1,579**	1,451
Employee benefit expense (excluding directors' emoluments (note 8))			
– Wages and salaries		**149,454**	145,015
– Pension scheme contributions^		**49,921**	71,797
Foreign exchange differences, net		**793**	(7,861)
Impairment of financial and contract assets, net:			
Impairment of trade receivables	22	**85,901**	36,585
Impairment of financial assets included in prepayments, other receivables and other assets		**1,135**	2,891
Impairment of concession financial assets		**25,092**	68,427
Impairment of contract assets		**40,330**	5,043
Impairment of property, plant and equipment#	13	**33,520**	6,834
Impairment of inventories		**–**	795
Impairment of other intangible assets#	16	**54,000**	197,800
Impairment of right-of-use assets#	14	**–**	3,638
Gain on termination of a lease contract		**–**	(2,838)
Loss on disposal of items of property, plant and equipment		**288**	22

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

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

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

7. FINANCE COSTS

	Notes	**2024** *RMB'000*	2023 *RMB'000*
Interest on bank and other borrowings		**427,985**	425,940
Interest on corporate bonds	28	**–**	15,119
Interest on lease liabilities	14	**979**	937
Total interest		**428,964**	441,996
Less: Interest capitalised		**5,052**	8,292
Subtotal		**423,912**	433,704
Others		**1,244**	7,215
Total		**425,156**	440,919

8. DIRECTORS' EMOLUMENTS

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

	2024 *RMB'000*	2023 *RMB'000*
Fees	**1,284**	1,130
Other emoluments:		
Salaries, allowances and benefits in kind	**568**	721
Performance related bonuses	**773**	548
Pension scheme contributions	**66**	63
	2,691	2,462

During the year, no payments were made by the Group to the directors of the Company as an inducement to join the Group or as compensation for loss of office (2023: Nil).

(a) Independent non-executive directors

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

	2024 *RMB'000*	2023 *RMB'000*
Mr. Cao Fu Guo	**321**	191
Mr. Pao Ping Wing	**321**	313
Mr. Cheng Kai Tai, Allen	**321**	313
Dr. Chan Yee Wah	**321**	313
	1,284	1,130

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' EMOLUMENTS *(Continued)*

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

2024	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Mr. Li Fujing	–	–	–	–
Ms. Hao Chunmei	–	–	–	–
Mr. Li Qingsong	568	773	66	1,407
	568	773	66	1,407

2023	Salaries, allowances and benefits in kind *RMB'000*	Performance related bonuses *RMB'000*	Pension scheme contributions *RMB'000*	Total remuneration *RMB'000*
Mr. Cao Guoxian	–	–	–	–
Mr. Li Fujing	–	–	–	–
Ms. Hao Chunmei	–	–	–	–
Mr. Li Qingsong	721	548	63	1,332
	721	548	63	1,332

Except for Mr. Li Qingsong, other directors' fees (2023: Except Mr. Li Qingsong, other directors' fees) and other emoluments are absorbed by Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Beijing Capital Eco"), an intermediate holding company of the Company during the year ended 31 December 2024.

Mr. Cao Guoxian resigned as an executive director of the Company on 20 December 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2023: Nil), details of whose remuneration are set out in note 8 above. Details of the emoluments for the year of the five highest paid employees are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Salaries, allowances and benefits in kind	2,816	3,221
Performance related bonuses	2,946	2,485
Pension scheme contributions	133	127
Total	5,895	5,833

9. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

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

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**4**	4
HK$1,500,001 to HK$2,000,000	**–**	1
Total	**4**	5

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Thirty-four (2023: forty-two) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Eight (2023: sixteen) were exempted from PRC income taxes, whereas another twenty-one (2023: twenty-four) were entitled to a preferential tax of 12.5%, and another five (2023: two) were entitled to different preferential tax rates of 2.5% or 15%, respectively, for the year.

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

In the opinion of the directors, it is not probable that the Group's Mainland China 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 RMB3,646,467,000 (2023: RMB3,382,228,000).

	2024	2023
	RMB'000	*RMB'000*
Current – Hong Kong		
Charge for the year	**–**	–
Current – Mainland China		
Charge for the year	**43,332**	21,017
Deferred (note 29)	**24,883**	16,518
Total tax charge for the year	**68,215**	37,535
Total	**68,215**	37,535

10. INCOME TAX *(Continued)*

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

	Hong Kong *RMB'000*	*%*	**Mainland China** *RMB'000*	*%*	**Total** *RMB'000*	*%*
2024						
Profit/(loss) before tax	**(1,721)**		**340,506**		**338,785**	
Tax at the statutory tax rate	**(284)**	**16.5**	**85,126**	**25.0**	**84,842**	**25.0**
Tax holiday or lower tax rates enacted by local authorities	**–**	**–**	**(87,805)**	**(25.8)**	**(87,805)**	**(25.9)**
Expenses not deductible for tax	**–**	**–**	**2,987**	**0.9**	**2,987**	**0.9**
Utilisation of tax losses not recognised in prior years	**–**	**–**	**(5,680)**	**(1.7)**	**(5,680)**	**(1.7)**
Profit attributable to associates*	**–**	**–**	**1,215**	**0.4**	**1,215**	**0.4**
Tax losses not recognised	**284**	**(16.5)**	**71,448**	**21.0**	**71,732**	**21.2**
Adjustments in respect of current tax of previous periods	**–**	**–**	**924**	**0.3**	**924**	**0.3**
Tax charge at the Group's effective rate	**–**	**–**	**68,215**	**20.0**	**68,215**	**20.1**

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

* The share of tax attributable to associates amounting to RMB1,620,000 (2023: RMB1,205,000) is included in "Share of profits of associates" in the consolidated statement of profit or loss for the year ended 31 December 2024.

11. DIVIDENDS

	2024 *RMB'000*	2023 *RMB'000*
Final declared-nil (2023: HK$1 cent)	–	130,694

No dividend was proposed by the Company for the year ended 31 December 2024. On 28 June 2023, the special dividend of HK$1 cent per share for the year ended 31 December 2022 was approved in the annual general meeting of the Company and the dividends were paid on 28 July 2023.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2023: 14,294,733,167) outstanding during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2024 and 2023.

The calculation of basic earnings per share is based on:

	2024 *RMB'000*	2023 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**234,123**	285,380

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2024						
At 31 December 2023 and at 1 January 2024						
Cost	346,312	412,130	81,164	15,790	36,829	892,225
Accumulated depreciation	(25,515)	(153,950)	(42,731)	(13,387)	–	(235,583)
Accumulated impairment	–	(95,518)	(16)	–	(36,107)	(131,641)
Net carrying amount	320,797	162,662	38,417	2,403	722	525,001
At 1 January 2024, net of accumulated depreciation	320,797	162,662	38,417	2,403	722	525,001
Additions	12,049	21,971	17,921	534	2,222	54,697
Disposals	–	(311)	(5,444)	–	–	(5,755)
Depreciation provided during the year	(4,469)	(39,363)	(12,764)	(1,345)	–	(57,941)
Impairment	–	(33,520)	–	–	–	(33,520)
Transfers	38	228	2,678	–	(2,944)	–
At 31 December 2024, net of accumulated depreciation	328,415	111,667	40,808	1,592	–	482,482
At 31 December 2024						
Cost	358,399	430,972	96,003	16,324	21,643	923,341
Accumulated depreciation	(29,984)	(190,267)	(55,179)	(14,732)	–	(290,162)
Accumulated impairment	–	(129,038)	(16)	–	(21,643)	(150,697)
Net carrying amount	328,415	111,667	40,808	1,592	–	482,482

The Group has no buildings pledged (2023: RMB3,988,000) to secure the borrowings granted to the Group as at 31 December 2024.

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

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

Impairment testing of property, plant and equipment

The impairment of RMB33,520,000 during the year ended 31 December 2024 was in relation to Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司, "Zibo Capital"), which principally engages in hazardous waste treatment in Mainland China.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering the expected useful life of the plant approved by senior management. The pre-tax discount rate applied to the cash flow projections is 10.62%.

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

Impairment testing of property, plant and equipment *(Continued)*

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:

Revenue – The bases used to determine the future earnings are historical sales and expected growth rates of the applicable market in hazardous waste treatment in Shandong province.

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

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

Discount rates – Discount rates reflect management's estimate of specific risks relating to Zibo Capital.

In the opinion of the directors of the Company, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the budgeted gross margin increased or decreased by 5%, the impairment loss would increase or decrease by RMB11,815,000 respectively, during the year ended 31 December 2024. If the discount rate increased or decreased by 5%, the impairment loss would increase by RMB6,216,000 or decrease by RMB6,416,000, respectively, during the year ended 31 December 2024.

The impairment of RMB6,834,000 during the year ended 31 December 2023 was in relation to the shutdown of Anhui Capital Environmental Technology Co., Ltd.（安徽首創環境科技有限公司, "Anhui Capital"), which was engaged in dismantling.

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

14. LEASES

The Group as a lessee

The Group has lease contracts mainly for buildings. Leases of buildings have lease terms with 2 years. Lump sum payments were made upfront to obtain the use right of the leased land with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Other equipment generally has lease terms of 12 months or less and/or are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the year are as follows:

	Leasehold land*	**Buildings**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	69,013	19,342	88,355
Additions	–	20,973	20,973
Depreciation charge	(1,791)	(10,068)	(11,859)
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(19,342)	(19,342)
Impairment loss recognised on right-of-use asset	(3,638)	–	(3,638)
As at 31 December 2023 and 1 January 2024	**63,584**	**10,905**	**74,489**
Additions	**–**	**–**	**–**
Depreciation charge	**(1,711)**	**(10,905)**	**(12,616)**
As at 31 December 2024	**61,873**	**–**	**61,873**

* The amounts represent land use rights located in Mainland China and are depreciated to profit or loss over the term of the relevant rights of 50 years. The Group has pledged leasehold land with a net book value of RMB35,145,000 (2023: RMB35,942,000) to secure the borrowings granted to the Group. Impairment of RMB3,638,000 during the year ended 31 December 2023 was provided for the land use right held by Mianyang Lubo Lubricant Co., Ltd. (綿陽路博潤滑油脂有限公司) for which the recoverable amount was determined to be zero.

14. LEASES *(Continued)*

The Group as a lessee *(Continued)*

(b) Lease liabilities

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

	2024	2023
	RMB'000	*RMB'000*
Carrying amount at 1 January	**21,911**	33,625
New leases	**–**	20,973
Accretion of interest recognised during the year	**979**	937
Payments	**(22,890)**	(11,445)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**–**	(22,179)
Carrying amount at 31 December	**–**	21,911
Current portion	**–**	21,911
Non-current portion	**–**	–

The maturity analysis of lease liabilities is disclosed in note 39 to the financial statements.

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

	2024	2023
	RMB'000	*RMB'000*
Interest on lease liabilities	**979**	937
Depreciation charge of right-of-use assets	**12,616**	11,859
Expense relating to short-term leases	**5,872**	6,421
Total amount recognised in profit or loss	**19,467**	19,217

(d) The total cash outflow for leases is disclosed in note 32(c) to the financial statements.

15. GOODWILL

	RMB'000
At 1 January 2023:	
Cost	43,438
Accumulated impairment	(37,383)
Net carrying amount	6,055
Cost at 1 January 2023, net of accumulated impairment	6,055
Cost and net carrying amount at 31 December 2023	6,055
At 31 December 2023:	
Cost	**43,438**
Accumulated impairment	**(37,383)**
Net carrying amount	**6,055**
Cost at 1 January 2024, net of accumulated impairment	**6,055**
Cost and net carrying amount at 31 December 2024	**6,055**
At 31 December 2024:	
Cost	**43,438**
Accumulated impairment	**(37,383)**
Net carrying amount	**6,055**

Impairment testing of goodwill

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

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

15. GOODWILL *(Continued)*

Impairment testing of goodwill *(Continued)*

Zhejiang Zhuoshang

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering the service concession period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 10.6% (2023: 10.6%).

Assumptions were used in the value-in-use calculation of the cash-generating unit with allocated goodwill of Zhejiang Zhuoshang for 31 December 2024 and 31 December 2023. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

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

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

16. OTHER INTANGIBLE ASSETS

	Service concession arrangements *RMB'000*	**Software** *RMB'000*	**Total** *RMB'000*
31 December 2024			
Cost at 1 January 2024, net of accumulated amortisation	**4,800,376**	**3,018**	**4,803,394**
Additions	**189,083**	**15**	**189,098**
Amortisation provided during the year	**(193,148)**	**(843)**	**(193,991)**
Impairment during the year	**(54,000)**	**–**	**(54,000)**
At 31 December 2024	**4,742,311**	**2,190**	**4,744,501**
At 31 December 2024			
Cost	**5,972,643**	**5,981**	**5,978,624**
Accumulated amortisation and impairment	**(1,230,332)**	**(3,791)**	**(1,234,123)**
Net carrying amount	**4,742,311**	**2,190**	**4,744,501**

	Service concession arrangements *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation	3,987,149	3,324	3,990,473
Additions	1,230,098	489	1,230,587
Amortisation provided during the year	(219,071)	(795)	(219,866)
Impairment during the year	(197,800)	–	(197,800)
At 31 December 2023	4,800,376	3,018	4,803,394
At 31 December 2023			
Cost	5,783,561	5,966	5,789,527
Accumulated amortisation and impairment	(983,185)	(2,948)	(986,133)
Net carrying amount	4,800,376	3,018	4,803,394

16. OTHER INTANGIBLE ASSETS *(Continued)*

As at 31 December 2024, the major terms of the Group's significant intangible assets in relation to service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2024 *RMB'000*	Balance as at 31 December 2023 *RMB'000*
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)*	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	534,204	609,934
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)*	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	359,127	384,009
Qixian Capital Biomass Energy Co., Ltd. (杞縣首創生物質能源有限公司)	Qixian Biomass straw incineration for power generation Project (杞縣生物質秸稈焚燒發電項目)	Qixian, Kaifeng, Henan	Qixian City Administration (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	247,340	255,368
Lushan Capital Biomass Energy Co., Ltd. (魯山首創生物質能源有限公司)	Lushan Biomass cogeneration Project (魯山縣生物質熱電聯產項目)	Lushan, Pingdingshan, Henan	Lushan Housing and Urban-Rural Construction Commission (魯山縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	242,141	252,254
Puyang Capital Environmental Energy Co., Ltd. (濮陽首創環保能源有限公司)*	Nanle County Domestic Waste Incineration Power Generation Project (南樂縣生活垃圾焚燒發電項目)	Nanle, Puyang City	Nanle County Housing and Urban-Rural Development Bureau (南樂縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	241,370	248,408
Tanghe Capital Environmental Energy Co., Ltd. (唐河首創環保能源有限公司)*	Tanghe Solid Waste Incineration Power Generation Plant (唐河生活垃圾焚燒發電處理項目)	Tanghe, Nanyang, Henan	Tanghe Urban Management Bureau (唐河縣城市管理局)	30 years after obtaining the approval for construction	800 tonnes	227,664	236,975
Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司)	Xiaoshan Kitchen Waste Treatment Plant (蕭山廚餘垃圾處理廠)	Hangzhou, Zhejiang	Xiaoshan District's Administration of Hangzhou City (杭州市蕭山區城區管理局)	30 years after obtaining the approval for operation	400 tonnes	224,389	233,774
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)	October 2019 to October 2049 (30 years)	1,000 tonnes	221,776	163,311
Shenzhou Capital Environmental Energy Co., Ltd. (深州首創環保能源有限公司)*	Shenzhou Solid Waste Incineration Power Generation Plant PPP Project (深州市生活垃圾焚燒發電工程PPP項目)	Shenzhou, Hebei	Shenzhou Housing and Urban-Rural Construction Commission (深州市住房和城鄉建設局)	30 years after obtaining the approval for commercial operation	800 tonnes	189,723	187,420
Suichuan Capital Environmental Energy Co., Ltd. (遂川首創環保能源有限公司)*	Suichuan Solid Waste Incineration Power Generation Plant (遂川縣生活垃圾焚燒發電處理項目)	SuiChuan, Jian, Jiangxi	Suichuan Urban Management and Comprehensive Law Enforcement (遂川縣城市管理綜合執法局)	27 years after obtaining the approval for construction	600 tonnes	172,086	179,995
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)*	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	163,555	168,781
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)*	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠–二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2050 (28 years)	1,200 tonnes	157,955	173,696
Fuzhou Capital Haihuan Environment Technology Company Limited (福州首創海環環保科技有限公司)*	Fuzhou Hongmiaoling Kitchen Waste Treatment Plant (福州市紅廟嶺廚餘垃圾處理廠)	Fuzhou, Fujian	Fuzhou City Administration (福州市城市管理委員會)	30 years after obtaining the approval for commercial operation	400 tonnes	153,897	162,256
Others						1,607,084	1,544,195
						4,742,311	4,800,376

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

16. OTHER INTANGIBLE ASSETS *(Continued)*

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 18.

Impairment testing of intangible assets in relation to service concession arrangements

The recoverable amount of intangible assets in relation to service concession arrangements of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering its concession periods. The cash-generating units impaired during the year were in relation to Zhumadian Tailai Capital Environmental Energy Co., Ltd.（駐馬店泰來環保能源有限公司）. The total recoverable amounts were RMB534,204,000 at 31 December 2024. The pre-tax discount rates applied to the cash flow projections is 9.6%.

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

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

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

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

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

In the opinion of the directors of the Company, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the budgeted gross margin increased or decreased by 5%, the impairment loss would decrease or increase by RMB28,340,000 respectively, during the year ended 31 December 2024. If the discount rate increased or decreased by 5%, the impairment loss would increase by RMB15,410,000 or decrease by RMB16,180,000, respectively, during the year ended 31 December 2024.

17. INVESTMENTS IN ASSOCIATES

	2024 ***RMB'000***	2023 *RMB'000*
Share of net assets	**56,686**	41,388

17. INVESTMENTS IN ASSOCIATES *(Continued)*

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Lanjie Lide Environment Holding Limited (北京藍潔利德環境科技有限公司, "Beijing Lanjie")	RMB1,760,000	PRC/Mainland China	29%	Provision of waste transportation services
Hebei Xiongan Pioneer Environmental Governance Limited (河北雄安首創環境治理有限公司, "Xiongan Pioneer")	RMB93,690,000	PRC/Mainland China	49%	Eco-protection and environmental governance

The Group reached a liquidation resolution with other shareholders of Beijing Lanjie in the previous year, and the liquidation process was in progress during this year. It is expected that the liquidation of Beijing Lanjie will be completed in 2025.

18. CONCESSION FINANCIAL ASSETS

	2024	2023
	RMB'000	*RMB'000*
Concession financial assets	**9,488,236**	9,541,196
Impairment	**(137,376)**	(112,284)
	9,350,860	9,428,912
Analysed for reporting purposes as:		
Current assets	**1,665,781**	1,631,688
Non-current assets	**7,685,079**	7,797,224
	9,350,860	9,428,912

18. CONCESSION FINANCIAL ASSETS *(Continued)*

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

The effective interest rates used in service concession arrangements ranged from 3.56% to 6.50% for both the year ended 31 December 2024 and the year ended 31 December 2023.

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 2024, the probability of default applied ranging from 0.08% to 1.98% (2023: 0.08% to 1.89%) and the loss given default was estimated to be 45% (2023: 45%), which led to an impairment of RMB25,092,000 (2023: RMB68,427,000) 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 RMB339,823,000 (2023: RMB535,159,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB2,054,663,000 (2023: RMB1,925,332,000) for all the service concession arrangements of the Group (note 5). The gross profits recognised from construction services amounted to RMB85,569,000 (2023: RMB159,926,000) and the gross profits recognised from operation services amounted to RMB619,213,000 (2023: RMB464,365,000) for all the service concession arrangements of the Group.

18. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2024, the major terms of the Group's significant service concession arrangements with guaranteed receipts are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2024 *RMB'000*	Balance as at 31 December 2023 *RMB'000*
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	**1,102,813**	1,140,711
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠-二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	**737,855**	747,782
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	**585,631**	585,142
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Zhechuan, Xixia and Neixiang (淅川,西峽,內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	1,000 tonnes	**480,553**	492,317
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	**461,822**	489,608
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	**376,886**	385,322
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)	October 2019 to October 2049 (30 years)	1,000 tonnes	**372,723**	432,925
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	**326,204**	333,467
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	600 tonnes	**314,183**	317,996
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	**301,824**	310,177
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	**300,698**	303,143
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	Zhengyang Solid Waste Incineration Power Generation Project (正陽縣生活垃圾焚燒發電項目)	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement (正陽縣城市管理綜合執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	**283,077**	288,647
Others*						**3,706,591**	3,601,675
						9,350,860	9,428,912

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

19. CONTRACT ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Contract assets arising from:		
Construction services	**955,928**	855,934
Electricity generation	**671,055**	481,184
Others	**–**	48,397
Impairment	**(45,940)**	(5,610)
	1,581,043	1,379,905
Analysed into:		
Current assets	**1,204,044**	910,285
Non-current assets	**376,999**	469,620
	1,581,043	1,379,905

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

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

Contract assets arising from electricity generation mainly represent government on-grid tariff subsidies for certain projects which will be billed and settled upon the successful completion of government administrative procedures pursuant to notices jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration. The expected timing of these contract assets being recognised as trade receivables depends on the completion of government administrative procedures.

As at 31 December 2024, the probability of default applied ranging from 0.08% to 1.98% (2023: 0.08% to 1.89%) and the estimated loss given default of 45% (2023: 45%) were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. An impairment of RMB1,826,000 was recognised during the year (2023: reversal of RMB3,151,000).

As at 31 December 2024, the expected credit loss rate of 3.53% was applied to determine the impairment of contract assets, which was due from certain local governments in relation to electricity generation. An impairment of RMB38,503,000 was recognised during the year (2023: RMB1,892,000).

19. CONTRACT ASSETS *(Continued)*

As at 31 December 2024, the major terms of the Group's significant service concession arrangements under construction are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2024 *RMB'000*	Balance as at 31 December 2023 *RMB'000*
Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司)	PPP project of domestic waste incineration power plant in Pu'er city center (普洱市中心城區生活垃圾焚燒發電廠PPP項目)	Simao, Puerfif	Pu'er Simao District Housing and Urban-Rural Development Bureau (普洱市思茅區住房和城鄉建設局)	30 years after obtaining the approval for construction	400 tonnes	**-**	302,484
Xinjiang Tianfu Waste Incineration Power Generation Co. Ltd. (新疆天富垃圾焚燒發電有限責任公司)	Shihezi City Waste Incineration Power Generation Project (石河子市垃圾焚燒發電項目)	Shihezi City, Xinjiang	Shihezi Housing and Urban-Rural Construction Bureau (石河子市住房和城鄉建設局)	30 years from the date when the technical transformation project is completed and put into operation	600 tonnes	**334,150**	120,967
Others						**42,849**	36,209
						376,999	459,660

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 *RMB'000*	2023 *RMB'000*
Advances to suppliers	**46,429**	47,073
Value-added tax receivables	**503,907**	583,475
Interest receivable	**5,024**	5,024
Tender deposits	**257,472**	223,757
Disposal receivables (note)	**188,217**	142,580
Others	**158,507**	120,453
Total	**1,159,556**	1,122,362
Analysed into:		
Current assets	**975,034**	1,015,087
Non-current assets	**184,522**	107,275
Total	**1,159,556**	1,122,362

Note:

The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Yanqingxian Environment Health Service Center.（北京市延慶區環境衛生服務中心）, Huludao municipal government（葫蘆島市政府）and Wengan county government.（甕安縣政府）amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.

21. INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	**83,021**	71,581
Finished goods	**6,722**	6,035
Total	**89,743**	77,616

22. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**2,756,189**	2,169,090
Impairment	**(175,878)**	(89,977)
Net carrying amount	**2,580,311**	2,079,113
Analysed into:		
Current assets	**2,580,311**	2,000,260
Non-current assets	**–**	78,853
	2,580,311	2,079,113

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:

	2024 RMB'000	2023 RMB'000
0 to 90 days	**733,892**	605,163
91 to 180 days	**460,243**	484,900
181 to 365 days	**481,109**	316,597
1 to 2 years	**530,656**	393,223
2 to 3 years	**148,376**	92,812
Over 3 years	**226,035**	186,418
Total	**2,580,311**	2,079,113

22. TRADE RECEIVABLES *(Continued)*

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**89,977**	53,392
Impairment losses, net (note 6)	**85,901**	36,585
At end of year	**175,878**	89,977

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

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

As at 31 December 2024:

	Gross carrying amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	***%***	***RMB'000***
Within 1 year	**1,568,497**	**2.61%**	**40,919**
1 to 2 years	**475,803**	**10.28%**	**48,926**
2 to 3 years	**168,140**	**41.79%**	**70,265**
Over 3 years	**18,154**	**86.86%**	**15,768**
Total	**2,230,594**	**7.88%**	**175,878**

As at 31 December 2023:

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Within 1 year	1,413,369	1.60%	22,629
1 to 2 years	288,332	16.07%	41,020
2 to 3 years	58,652	27.09%	15,891
Over 3 years	12,940	80.66%	10,437
Total	1,773,293	5.07%	89,977

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	**2024** **RMB'000**	2023 RMB'000
Cash and bank balances		**653,574**	702,288
Time deposits		**48,668**	–
Subtotal		**702,242**	702,288
Less:			
Pledged for a loan	(a)	**(3,047)**	(4,702)
Pledged for service concession arrangements	(b)	**(36,869)**	(35,355)
Pledged for a case of litigation		**(3,028)**	(420)
Cash and cash equivalents		**659,298**	661,811

Notes:

(a) The amount is pledged for a loan from Industrial Bank Co., Ltd.（興業銀行）.

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

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB646,699,000 (2023: RMB570,644,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

24. TRADE PAYABLES

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

	2024 RMB'000	2023 RMB'000
0 to 90 days	**886,617**	853,442
91 to 180 days	**58,730**	57,749
181 to 365 days	**455,415**	500,758
1 to 2 years	**106,108**	174,327
2 to 3 years	**62,378**	20,057
Over 3 years	**33,986**	44,477
Total	**1,603,234**	1,650,810

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

25. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Contract liabilities	(a)	**53,984**	35,353
Guarantee payables		**26,900**	29,829
Interest payables	(b)	**8,777**	10,476
Amounts due to the former/non-controlling shareholders of subsidiaries	(c)	**13,565**	13,565
Loans from non-controlling shareholders of subsidiaries	(d)	**19,455**	21,395
Accrued professional fee		**6,064**	5,354
Other tax payable		**27,847**	43,953
Accrued payroll and severance payment		**49,578**	39,008
Others		**51,501**	62,134
Total		**257,671**	261,067

Notes:

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

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

(c) The amounts represent the unpaid consideration to the former/non-controlling shareholders of subsidiaries in relation to their equity acquisitions.

(d) The amounts represent the balance of loans from the non-controlling shareholders of Beijing Shoujian Environmental Protection Company Limited (北京首建環保有限責任公司, "Beijing Shoujian") and Fuzhou Capital Haihuan Environmental Technology Company Limited (福州首創海環環保科技有限公司, "Fuzhou Capital").

26. DEFERRED INCOME

The Group received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants. The waste treatment plants and waste-to-energy plants were either under commercial run or still under construction as at 31 December 2024. These government subsidies were recognised as deferred income and would be amortised over the concession period or estimated useful life upon the commencement of commercial operations of the plants.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2024			2023		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank loans – secured	**2.20-4.70**	**2025**	**1,036,443**	3.40-4.80	2024	1,070,496
Bank loans – unsecured	**1.37-3.80**	**2025**	**130,489**	1.37-4.70	2024	97,912
Other loans – secured	**3.06-4.89**	**2025**	**103,168**	3.46-5.10	2024	130,935
Other loans – unsecured	**4.38**	**2025**	**1,770,000**	3.56	2024	65,000
Total – current			**3,040,100**			1,364,343
Non-current						
Bank loans – secured	**2.20-4.70**	**2026-2043**	**5,350,118**	3.35-4.65	2026-2043	5,254,674
Bank loans – unsecured	**1.37-3.75**	**2026-2036**	**556,993**	1.37-4.70	2026-2030	614,292
Other loans – secured	**–**	**–**	**–**	3.46-5.10	2025-2043	68,735
Other loans – unsecured	**4.38**	**2026**	**1,700,000**	1.20-4.38	2026	3,170,000
Total – non-current			**7,607,111**			9,107,701
Total			**10,647,211**			10,472,044

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

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank loans:		
Within one year or on demand	**1,166,932**	1,168,408
In the second year	**570,798**	501,331
In the third to fifth years, inclusive	**1,770,068**	1,656,741
Beyond five years	**3,566,245**	3,710,894
	7,074,043	7,037,374
Other borrowings repayable:		
Within one year or on demand	**1,873,168**	195,935
In the second year	**1,700,000**	1,538,735
In the third to fifth years, inclusive	**–**	1,700,000
	3,573,168	3,434,670
Total	**10,647,211**	10,472,044

Notes:

(a) Bank loans of RMB303,451,000 as at 31 December 2024 (31 December 2023: RMB308,601,000) were guaranteed by the corporate guarantee of the Group.

(b) Bank loans of RMB1,191,466,000 as at 31 December 2024 (31 December 2023: RMB886,531,000) were secured by certain service concession arrangements of the Group.

(c) Bank loans of RMB4,694,717,000 as at 31 December 2024 (31 December 2023: RMB4,882,873,000) were guaranteed by the corporate guarantee of the Group, and were secured by certain service concession arrangements of the Group.

(d) A bank loan of RMB83,346,000 as at 31 December 2024 (31 December 2023: RMB108,345,000) was guaranteed by the corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司, the non-controlling shareholder of Beijing Shoujian).

(e) Bank loans of RMB113,581,000 as at 31 December 2024 (31 December 2023: RMB138,821,000) were guaranteed by the corporate guarantee of the Group, and were secured by the leasehold land with a carrying amount of RMB35,145,000 (31 December 2023: RMB35,942,000).

(f) Other loan of RMB69,000,000 from CDM Fund as at 31 December 2023 was secured by the service concession arrangement in Fuzhou Capital, and other loan of RMB10,202,000 from Beijing Guozi Financial leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2023 was secured by the service concession arrangement in Zhejiang Zhuoshang. Both of the loans were repaid during this year.

(g) Other loan of RMB103,168,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2024 (31 December 2023: RMB120,467,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement in Renqiu Capital Environmental Treatment Co., Ltd (任丘首創環境治理有限公司).

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

Notes: *(Continued)*

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

(i) Other loan of RMB3,470,000,000 from Beijing Capital Eco, an intermediate holding company of the Company as at 31 December 2024 (2023: RMB3,170,000,000) was unsecured.

As at 31 December 2024, the Group had undrawn borrowing facilities amounting to RMB1,393,115,000 (31 December 2023: RMB2,225,745,000).

As at 31 December 2024, the Group's bank and other loans of RMB3,539,920,000 were charged at fixed interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

As at 31 December 2024, the Group had bank loans of RMB623,004,000 for which certain loan agreement terms were met to permit the lenders to demand accelerated repayment. The terms of these bank loans have not been renegotiated up to the date of approval of these financial statements.

28. CORPORATE BONDS

On 29 May 2020, the Company issued its first branch corporate bonds in an aggregate principal amount of RMB1 billion at par value, which is listed on the Shanghai Stock Exchange. The bonds bear interest from 29 May 2020 at 3.1% per annum payable annually in arrears on 29 May of each year, and were guaranteed by Beijing Capital Group with a guaranteed fee based on 0.5% per annum of the principal amount. The bonds were redeemed during the year ended 31 December 2023.

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

	2023 *RMB'000*
Liabilities at 1 January 2023	1,015,881
Interest during the year	15,119
Interest paid during the year	(31,000)
	1,000,000
Repayment of the principal amount	(1,000,000)
Liabilities as at 31 December 2023 and 31 December 2024	–

29. DEFERRED TAX

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

	Inventories	Other intangible assets	Service concession arrangements*	Right-of-use assets	Lease liabilities	Others**	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	269	(12,457)	(632,663)	(2,901)	5,044	47,692	(595,016)
(Charged)/credited to profit or loss	(163)	1,146	(16,499)	260	(2,509)	1,247	(16,518)
At 31 December 2023 and at 1 January 2024	106	(11,311)	(649,162)	(2,641)	2,535	48,939	(611,534)
(Charged)/credited to profit or loss	**87**	**1,260**	**(45,810)**	**2,641**	**(2,535)**	**19,474**	**(24,883)**
At 31 December 2024	**193**	**(10,051)**	**(694,972)**	**–**	**–**	**68,413**	**(636,417)**

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

** Others included other payables and accruals, tax losses recognised, the impairment provision of financial and contract assets.

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

	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets	**65,185**	46,443
Deferred tax liabilities	**(701,602)**	(657,977)
	(636,417)	(611,534)

The Group has tax losses of RMB829,079,000 arising in Mainland China (2023: RMB699,906,000) that will expire in one to five years for offsetting against future taxable profits. The Group has no tax losses (2023: Nil) arising in Hong Kong which can be carried forward indefinitely.

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

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

30. ISSUED CAPITAL

Shares

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,275,167**	1,275,167

31. RESERVES

The amounts of the Group's statutory reserve and capital reserve and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 58 to 59 of the financial statements.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

There is no major non-cash transaction during this year.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings *RMB'000*	**Interest payables*** *RMB'000*	**Lease liabilities** *RMB'000*
At 1 January 2024	**10,472,044**	**128,793**	**21,911**
Changes from financing cash flows	**180,799**	**(273,510)**	**(22,890)**
Foreign exchange movement	**(5,632)**	**–**	**–**
Interest capitalised	**–**	**(5,052)**	**–**
Interest expense	**–**	**422,933**	**979**
At 31 December 2024	**10,647,211**	**273,164**	**–**

	Bank and other borrowings *RMB'000*	Interest payables* *RMB'000*	Lease liabilities *RMB'000*
At 1 January 2023	9,107,493	33,870	33,625
Changes from financing cash flows	1,366,331	(346,097)	(11,445)
New leases	–	–	20,974
Reassessment and revision of lease terms	–	–	(22,179)
Foreign exchange movement	(1,780)	–	–
Interest capitalised	–	8,292	–
Interest expense	–	432,728	937
At 31 December 2023	10,472,044	128,793	21,911

* The item is included in "Other payables and accruals" and "Amounts due to related parties" in the consolidated statement of financial position.

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

(c) Total cash outflow for leases

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

	2024	2023
	RMB'000	*RMB'000*
Within operating activities	**(5,872)**	(6,584)
Within financing activities	**(22,890)**	(21,151)
	(28,762)	(27,735)

33. CONTINGENT LIABILITIES

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

(a) The Group provided performance guarantees with a total amount of RMB222,779,000 (2023: RMB207,993,000) to the grantors in connection with the construction and operation services provided according to the service concession arrangements or to the lenders in connection with borrowings.

(b) The Group had a dispute with Fujian Huifeng Construction Engineering Co., Ltd.（福建惠豐建築工程有限公司）, relating to a construction project contract amounting to RMB73,477,000. Fujian Huifeng Construction Engineering Co., Ltd. claimed to the court for the unpaid contract amount of RMB67,735,000 and overdue interest payable for project payment of RMB5,742,000. As at 31 December 2024, the lawsuit is still in progress.

34. PLEDGE OF ASSETS

The Group's leasehold land, bank deposits, concession rights and assets of service concession arrangements were partly pledged for bank facilities and borrowings. For details, refer to notes 14, 23 and 27 to the financial statements.

35. COMMITMENTS

The Group had contracted construction work for construction obligation under service concession arrangements amounting to RMB169,460,000 as at 31 December 2024 (2023: RMB111,376,000).

36. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in elsewhere to the financial statements, the Group had the following transactions with related parties during the year of 2024:

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

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

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

Name of the related parties	Nature of the transactions	2024 RMB'000	2023 RMB'000
Beijing Capital (HK)	Rental expenses*	**411**	1,614
Beijing Capital Group	Guarantees charges**	**–**	2,852
Beijing Capital Eco	Interest expenses***	**146,069**	115,261
Beijing Capital Eco	Rendering of research and development service	**675**	–
Beijing Capital Air Environmental Science & Technology Co., Ltd.	Purchase of machinery ^	**(1,485)**	35,475
Sichuan Bluestone Construction Co., Ltd.	Rendering of construction service ^^	**6,043**	15,492
Other related parties	Purchases ^^^	**7,625**	297

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

* The rental expenses of RMB411,000 were related to the office rent from Beijing Capital (HK). The rental agreement was terminated in the first quarter of 2024.

** Beijing Capital Group provided guarantee services for the issued loan of RMB1,000,000,000 based on the rate of 0.5% per annum and for a loan of RMB700,000,000 from PingAn Asset Management Co., Ltd. based on the rate of 0.6% per annum. All the loans and guaranteed charges were repaid during 2023.

*** The interest expenses were related to the loan of RMB3,470,000,000 from Beijing Capital Eco, which bears interest at 4.38% per annum. Interest payables due to Beijing Capital Eco as at 31 December 2024 were RMB264,387,000 (2023: RMB118,317,000).

^ The Group purchased machines and service of construction from Beijing Capital Air Environmental Science & Technology Co., Ltd. ("Beijing Capital Air", a subsidiary of the Beijing Capital Eco). The amount due to Beijing Capital Air as at 31 December 2024 was RMB2,011,000 (2023: RMB19,493,000).

^^ The construction service was related to an environmental remediation project subcontracted to the Group. Trade receivables due from Sichuan Bluestone Construction Co., Ltd. (a subsidiary of the Beijing Capital Eco) were RMB34,062,000 (2023: RMB49,710,000).

^^^ Other related parties are all subsidiaries of Beijing Capital Group. These transactions were related to purchasing machinery, water and technical service. The amount due to these related parties as at 31 December 2024 was RMB3,612,000 (2023: RMB297,000).

36. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

The Group recognised revenue from the construction services and operation services of RMB339,823,000 (2023: RMB535,159,000) and RMB2,054,663,000 (2023: RMB1,925,332,000), respectively, under service concession arrangements with the local governments in the PRC (see note 18). All the concession financial assets of the Group are due from the local governments in the PRC.

RMB525,395,000 (2023: RMB395,798,000) was due from the Ministry of Finance of the PRC in relation to government dismantling tariffs and electricity generation, which were included in trade receivables.

Trade receivables due from the local governments in the PRC in relation to the waste management service and electricity generation were RMB1,938,354,000 (2023: RMB1,519,850,000).

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

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

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

	2024 ***RMB'000***	2023 *RMB'000*
Short-term benefits	**4,884**	6,857
Pension scheme contributions	**205**	316
	5,089	7,173

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

2024

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	2,580,311
Financial assets included in prepayments, other receivables and other assets	609,220
Pledged deposits	42,944
Cash and cash equivalents	659,298
Total	3,891,773

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	1,603,234
Financial liabilities included in other payables and accruals	68,697
Interest-bearing bank and other borrowings	10,647,211
Amounts due to related parties	268,000
Total	12,587,142

37. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

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

2023

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

	Financial liabilities at amortised cost *RMB'000*
Trade payables	1,650,810
Financial liabilities included in other payables and accruals	75,265
Interest-bearing bank and other borrowings	10,472,044
Amount due to related parties	141,012
Total	12,339,131

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2024	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
Interest-bearing bank and other borrowings	**10,647,211**	10,472,044	**10,764,819**	10,487,707

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

The Group's finance department headed by the chief accountant is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The chief accountant reports directly to the chief executive officer and the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 were assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Equity investment designated at fair value through other comprehensive income was measured at fair value based on significant observable inputs (Level 2), and the amount was nil as at 31 December 2024 (2023: RMB200,000).

Liabilities measured at fair value:

No liability was measured at fair value as at 31 December 2024 (2023: Nil).

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

Fair value hierarchy *(Continued)*

Assets for which fair values are disclosed:

As at 31 December 2024:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Pledged deposits, non-current portion	–	5,746	–	5,746

As at 31 December 2023:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Pledged deposits, non-current portion	–	6,849	–	6,849

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

Fair value hierarchy *(Continued)*

Liabilities for which fair values are disclosed:

As at 31 December 2024:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	–	10,764,819	–	10,764,819

As at 31 December 2023:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Interest-bearing bank and other borrowings	–	10,487,707	–	10,487,707

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise interest-bearing bank and other borrowings, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as concession financial assets, trade receivables, amounts due to related parties, financial assets included in prepayments, other receivables and other assets, trade payables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its interest-bearing borrowings with floating interest rates.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. If there would be a general increase/decrease in the interest rates of bank loans with floating interest rates by one percentage point, with all other variables held constant, the consolidated profit before tax would have decreased/increased by approximately RMB72,007,000 for the year ended 31 December 2024 (2023: RMB71,657,000).

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

Foreign currency risk

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

The Group was mainly exposed to exchange fluctuations in NZ$ and US$ against RMB. The following table demonstrates the sensitivity as at 31 December 2024 and 2023 to a reasonably possible changed in the NZ$ and US$ exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity.

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before tax *RMB'000*	Increase/ (decrease) in equity* *RMB'000*
2024			
If RMB weakens against NZ$	**5**	**–**	**900**
If RMB strengthens against NZ$	**(5)**	**–**	**(900)**
If RMB weakens against US$	**5**	**(3,893)**	**–**
If RMB strengthens against US$	**(5)**	**3,893**	**–**
2023			
If RMB weakens against NZ$	5	–	3,887
If RMB strengthens against NZ$	(5)	–	(3,887)
If RMB weakens against US$	5	(4,340)	–
If RMB strengthens against US$	(5)	4,340	–

* Excluding retained profits

Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, pledged deposits, trade receivables, concession financial assets, contract assets (excluding these in relation to intangible assets), financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at 31 December 2024, the Group's maximum exposure to credit risk which would cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

Credit risk *(Continued)*

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the monitoring procedures to ensure that follow-up action is taken to recover long-aged debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is being closely monitored.

The Group's concentration of credit risk by geographical location was mainly in Mainland China which accounted for 100% (2023: 100%) of the total trade receivables as at 31 December 2024.

The Group had a concentration of credit risk in concession financial assets and contract assets of RMB10,814,796,000 as at 31 December 2024 (2023: RMB10,808,817,000), representing a guaranteed waste treatment fee to be received from fifty-three (2023: fifty-three) grantors in service concession arrangements of waste treatment and waste-to-energy plants. Besides, the Group has trade receivables and contract assets of RMB804,750,000 (2023: RMB670,282,000) due from the Ministry of Finance of the PRC and the Group has trade receivables and contract assets of RMB2,113,485,000 (2023: RMB1,955,810,000) due from the local governments. The Group has considered the credit risk and provided the expected credit losses, details are given in notes 18, 19 and 22.

As at 31 December 2024, included in the prepayments, other receivables and other assets were disposal receivables amounted to RMB188,217,000 (2023: RMB142,580,000), which were disclosed in note 20. Additionally, RMB257,472,000 (2023: RMB223,757,000) of tender deposits were due from several local governments as tenderers and RMB5,024,000 (2023: RMB5,024,000) of interest receivable due from a third party. The management considers that the credit risk of these balances is limited as these counterparties are with good credit history or the Group has appropriate action to ensure the payment.

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

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

Liquidity risk

The Group monitors its risk to a shortage of funds to consider the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to ensure continuity of sufficient funding and flexibility through the use of bank and other borrowings and adequate unutilised banking facilities.

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

Liquidity risk *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

2024	**On demand**	**Within 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Trade payables	**1,603,234**	**–**	**–**	**–**	**–**	**1,603,234**
Financial liabilities included in other payables and accruals	**59,920**	**8,777**	**–**	**–**	**–**	**68,697**
Amounts due to related parties	**268,000**	**–**	**–**	**–**	**–**	**268,000**
Interest-bearing bank and other borrowings	**–**	**3,101,323**	**2,534,967**	**2,619,070**	**4,143,735**	**12,399,095**
	1,931,154	**3,110,100**	**2,534,967**	**2,619,070**	**4,143,735**	**14,339,026**

2023	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,650,810	–	–	–	–	1,650,810
Financial liabilities included in other payables and accruals	75,265	–	–	–	–	75,265
Amounts due to related parties	141,012	–	–	–	–	141,012
Lease liabilities	–	21,911	–	–	–	21,911
Interest-bearing bank and other borrowings	–	2,046,679	2,424,087	4,509,407	4,288,450	13,268,623
	1,867,087	2,068,590	2,424,087	4,509,407	4,288,450	15,157,621

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the end of the reporting period. Based on this forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during that period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the loan financing and additional capital from equity holders of the Company. The directors are of the opinion that the assumptions and sensitivities which are included in the cash flow forecast are reasonable. However, as all assumptions are taken with regard to future events, they are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realised.

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

Capital management

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

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

The capital structure of the Group consists of net debt, which includes interest-bearing bank and other borrowings and corporate bonds as disclosed in notes 27 and 28, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debts.

40. EVENTS AFTER THE REPORTING PERIOD

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024	2023
	RMB'000	*RMB'000*
NON-CURRENT ASSETS		
Property, plant and equipment	**27**	38
Amounts due from subsidiaries	**1,378,279**	1,357,091
Investments in subsidiaries	**2,322,748**	2,322,748
Total non-current assets	**3,701,054**	3,679,877
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,092**	2,422
Bank balances and cash	**50,329**	47,160
Total current assets	**51,421**	49,582
CURRENT LIABILITIES		
Other payables and accruals	**7,162**	6,577
Total current liabilities	**7,162**	6,577
NET CURRENT ASSETS	**44,259**	43,005
Net assets	**3,745,313**	3,722,882
CAPITAL AND RESERVES		
Share capital	**1,275,167**	1,275,167
Reserves (note)	**2,470,146**	2,447,715
Total equity	**3,745,313**	3,722,882

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

Note:

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

	Share premium	Capital redemption reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	462,602	1,488,583	518,341	2,469,526
Profits for the year	–	–	108,883	108,883
Total comprehensive income for the year	–	–	108,883	108,883
Dividend paid	–	–	(130,694)	(130,694)
At 31 December 2023 and 1 January 2024	462,602	1,488,583	496,530	2,447,715
Profits for the year	**–**	**–**	**22,431**	**22,431**
Total comprehensive income for the year	**–**	**–**	**22,431**	**22,431**
At 31 December 2024	**462,602**	**1,488,583**	**518,961**	**2,470,146**

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 March 2025.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*	**2024** ***RMB'000***
RESULTS					
Revenue from continuing operations	7,646,659	5,395,943	4,588,955	4,076,596	**3,666,591**
Profit from continuing operations attributable to equity holders of the Company	466,123	587,118	191,314	285,380	**234,123**

	As at 31 December				
	2020 *RMB'000*	2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*	**2024** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	24,059,068	26,173,239	20,137,996	20,287,166	**20,880,537**
Total liabilities	(16,870,053)	(18,456,618)	(13,453,912)	(13,591,301)	**(13,889,067)**
	7,189,015	7,716,621	6,684,084	6,695,865	**6,991,470**
Equity attributable to equity holders of the Company	5,622,644	6,210,896	6,493,348	6,429,390	**6,661,471**
Non-controlling interests	1,566,371	1,505,725	190,736	266,475	**329,999**
	7,189,015	7,716,621	6,684,084	6,695,865	**6,991,470**

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