北京控股環境集團有限公司
BEIJING ENTERPRISES ENVIRONMENT GROUP LIMITED

(Stock Code 154)

2023
Annual Report

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:
Mr. Chen Xinguo *(Chairman & Chief Executive Officer)*
Ms. Sha Ning
Mr. Yu Jie
Mr. Li Ai
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

AUDIT COMMITTEE

Dr. Huan Guocang *(Committee Chairman)*
Dr. Jin Lizuo
Dr. Wang Jianping

REMUNERATION COMMITTEE

Dr. Jin Lizuo *(Committee Chairman)*
Dr. Huan Guocang
Dr. Wang Jianping
Mr. Chen Xinguo

NOMINATION COMMITTEE

Mr. Chen Xinguo *(Committee Chairman)*
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

REGISTERED OFFICE

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

WEBSITE

http://www.beegl.com.hk

STOCK CODE

154

SHARE REGISTRAR

Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

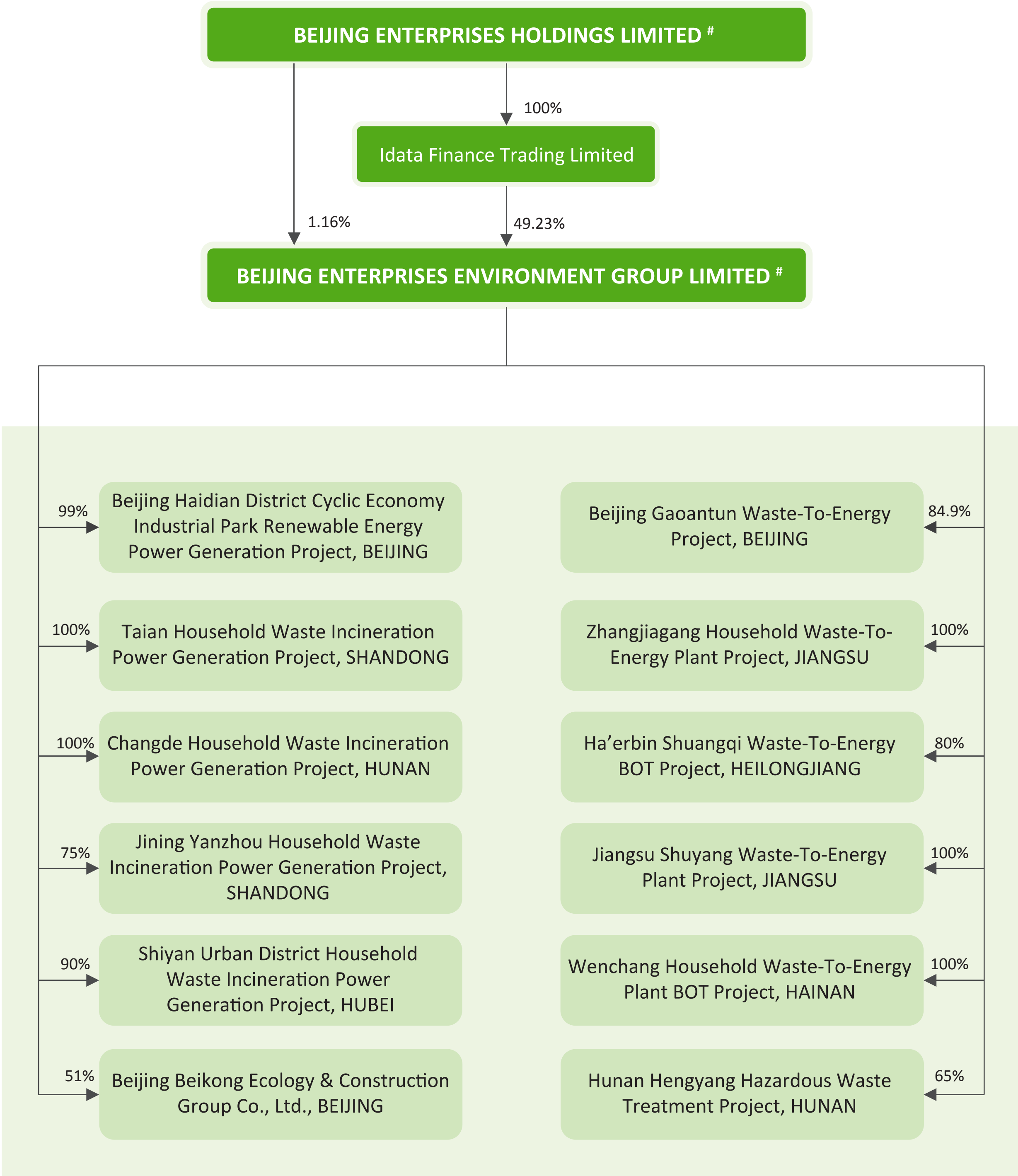
PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong)

In Chinese Mainland:
Agricultural Bank of China
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
Industrial Bank

CORPORATE STRUCTURE

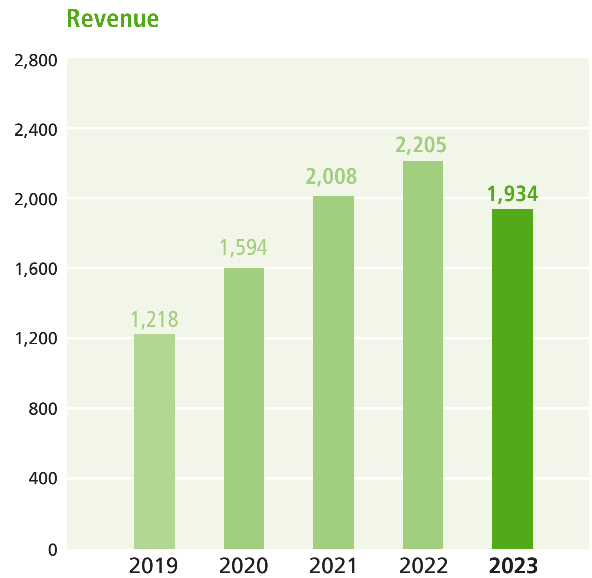
27 March 2024

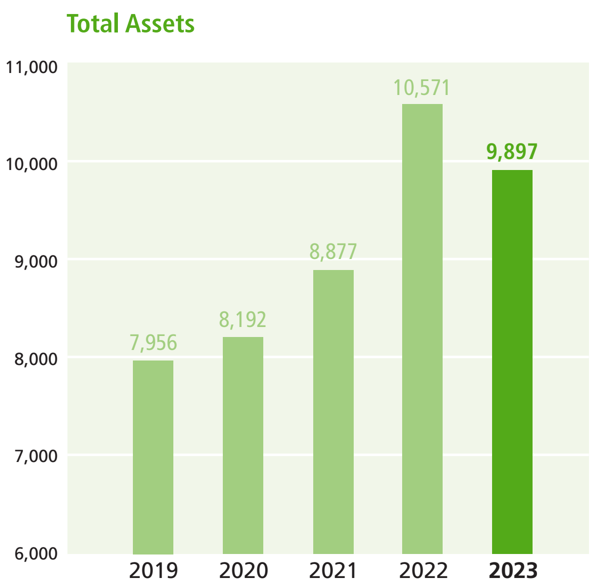


Listed on the Main Board of The Stock Exchange of Hong Kong Limited

FINANCIAL HIGHLIGHTS

(in RMB million)





CHAIRMAN'S STATEMENT

2023 was a crucial year that linked up the previous achievements with the implementation of "14th Five-Year Plan". Along with the economic development in China, our staff continued to strengthen the operational management jointly and proactively. By paying close attention to the development of the principal business, we minimized the adverse impact of the increasingly fierce competition in the solid waste market and continuous scaling down national subsidies. In this way, we achieved a stable improvement in operating results and development quality with our various operating targets being accomplished satisfactorily.

In 2023, the Company achieved revenue of RMB1,934 million and net profit of RMB202 million. In this year, the Company explored its operation potential for expanding waste sources, and all production indicators increased as compared to the previous year. During the year, the Group completed a total of 4,208,200 tonnes of household waste intake, a total of 390,800 tonnes of sludge input volume and generated 1,349 million KWh of on-grid electricity. The electricity generating volume of waste incinerated was also improved. For the whole year, having insisted on the innovation-driving development, the Company has increased investment in research and development. As a result, three project companies were awarded the title of High and New Technology Enterprises, and two were awarded the titles of Specialised, New and Innovative Small and Medium-sized Enterprises (SMEs). The Company further strengthened the construction of ESG system by integrating the requirements of ESG into the daily management of the Company.

2024 is a critical year for realising the objectives of the 14th Five-Year Plan. The environment faced by the Company is full of risks and challenges, but also development opportunities. Against the backdrop of strengthening the construction of ecological civilisation, promoting green and low-carbon transformation, and vigorously developing new quality productivity, by adhering to the business concept of "environment protection first, win-win sharing", the Company will focus on its principal business, continue its market expansion, and facilitate the coordinated treatment. While further enhancing the utilisation rate of the project's production capacity, the Company aims to promote its high-quality development.

CHEN XINGUO
Chairman

Hong Kong
27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Solid Waste Treatment Segment

In 2023, the Group operated ten solid waste treatment projects in Chinese Mainland, including nine household waste incineration power generation projects and a hazardous and medical waste treatment project. The Zhangjiagang Project completed its off-site expansion construction and commenced its commercial operation during the year, increasing the Group's daily treatment capacity of household waste incineration to 12,475 tonnes.

Project Name	**Region**	**Business Model**	**Waste treatment capacity** (tonnes/day)
Household waste incineration power generation projects:			
Zhangjiagang Project (張家港市生活垃圾焚燒發電廠項目)	Jiangsu	BOT	2,250
Haidian Project (北京市海澱區循環經濟產業園再生能源發電廠項目)	Beijing	BOT	2,100
Gaoantun Project (北京高安屯垃圾焚燒項目)	Beijing	BOT	1,600
Yanzhou Project (濟寧市兗州區生活垃圾焚燒發電項目)	Shandong	BOT	1,500
Ha'erbin Project (哈爾濱雙琦垃圾焚燒發電項目)	Heilongjiang	BOT	1,200
Changde Project (常德市生活垃圾焚燒發電項目)	Hunan	BOT	1,200
Shuyang Project (江蘇省沭陽縣垃圾焚燒發電項目)	Jiangsu	BOT	1,200
Taian Project (泰安生活垃圾焚燒發電項目)	Shandong	BOO	1,200
Wenchang Project (文昌市生活垃圾焚燒發電廠項目)	Hainan	BOT	225
Hazardous and medical waste treatment project:			
Hengxing Project (湖南省衡陽危險廢物處置中心項目)	Hunan	BOT	

In 2023, in terms of production and operation sector, in facing the increasingly fierce competition in the solid waste market and the continuous backslide of environmental protection policies, the Group grasped the nettle to encounter the situation. On one hand, the Group deeply explored the operation potential of existing project companies, reduced costs and increased efficiency, and expanded the sources of waste to ensure the waste intake of project companies. On the other hand, the Group carried out coordinated business to expand multi-channel business income. Currently, six project companies are carrying out coordinated sludge treatment business and three project companies are conducting heating and gas supply businesses, which has effectively increased the revenue from waste treatment.

During the year, the Group completed 4.208 million tonnes of annual household waste intake (average 11,529 tonnes/day), increased by 9.7% year-on-year. The electricity generating volume was 1,604,000,000 kWh, increased by 14.3% year-on-year. We generated 1,349,000,000 kWh of on-grid electricity, increased by 16.1% year-on-year. Our steam supply volume was 91,400 tonnes, increased by 1.6% year-on-year. The Group completed 390,800 tonnes of sludge treatment, increased by 83.2% year-on-year; 167,600 tonnes of leachate treatment, increased by 12.7% year-on-year; 139,000 tonnes of food waste treatment, decreased by 6.5% year-on-year; 5,788 tonnes of hazardous and medical waste intake, decreased by 37.9% year-on-year. During the year, the production and operation sector recorded revenue of RMB1.135 billion, increased by 2.7% year-on-year and the gross profit was RMB512 million, decreased by 2.1% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

In terms of project construction sector, the expansion construction of the Zhangjiagang Project (namely 張家港市靜脈科技產業園項目，"Zhangjiagang Jingmai Project"), having a treatment capacity of 2,250 tonnes/day, was completed and put into commercial operation in the first half of the year. The Group has successfully won the bid of 十堰市城區生活垃圾焚燒發電項目 (the "Shiyan Project"), having a phase I treatment capacity of 600 tonnes/day. The Group commenced its construction works in the second half of the year, intending to commence production by the end of 2024. During the year, the project construction sector recorded revenue of RMB476 million, decreased by 47.5% year-on-year, and a gross profit of RMB57 million, decreased by 66.4% year-on-year.

Ecological Construction Segment

Beijing Beikong Ecology & Construction Group Co., Ltd. ("Beikong Ecology") continued to consolidate its advantages in the municipal gardening business and actively developed a comprehensive ecological environment management business. In 2023, the new tenders won and signed by the company were 59 contracts in total, and the total amount of new contracts signed was approximately RMB1.36 billion, of which, the contract value of municipal engineering construction, landscaping engineering construction and maintenance projects was RMB650 million; and the contract value of the comprehensive ecological environment management construction projects and environmental testing projects was RMB717 million. In 2023, Beikong Ecology recorded revenue of RMB323 million, increased by 67% as compared with the previous year, achieving the set goal of turning losses into profits, with a net profit of RMB1.1 million.

Nevertheless, the synergy between Beikong Ecology and the Group's principal business is not obvious. The Group intends to transfer its equity interests in Beikong Ecology within 2024 and focus its resources on continuing to expand the solid waste market and develop a high-end solid waste treatment business.

PROSPECT

2024 is a critical year for achieving the objectives of the "14th Five-Year Plan". The Group is well aware of the acute situation ahead and will seize the period of strategic opportunities in the solid waste market to seek opportunities amidst challenges. Firstly, the Group will adopt a light asset development strategy and vigorously promote entrusted operation, equipment general contracting, urban services and urban housekeeping businesses. Secondly, the Group will facilitate the implementation of incremental projects in the market. Thirdly, the Group will increase the exploration of new environmental protection businesses and actively lay out new tracks to promote the Company's operations to a new level, building "a leading comprehensive environmental services provider with the solid waste treatment and disposal as the core business in the PRC".

FINANCIAL REVIEW

Revenue and gross profit

During the year, the Group recorded revenue of RMB1,934 million, decreased by 12.3% as compared with last year of RMB2,205 million. The revenue derived from the solid waste treatment and the sale of electricity and steam amounted to RMB1,135 million, increased by 2.7% as compared with last year of RMB1,105 million. The revenue derived from the waste incineration plant construction, sale of equipment and related services amounted to RMB476 million, decreased by 47.5% as compared with last year of RMB907 million. The revenue derived from the ecological construction and related services amounted to RMB323 million, increased by 67.4% as compared with last year of RMB193 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The Group's gross profit amounted to RMB607 million, decreased by 10.2% as compared with last year of RMB676 million. The overall gross profit margin increased from 30.7% to 31.4%.

	Revenue		Gross profit/(loss)		Gross profit margin	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million	*RMB million*	***RMB million***	*RMB million*		
Household waste treatment	**294**	278				
Other solid waste treatment	**146**	115				
Sale of electricity and steam	**695**	712				
	1,135	1,105	**513**	524	**45.2%**	47.4%
Waste incineration plant construction, sale of equipment and related services	**476**	907	**57**	170	**12.0%**	18.7%
Ecological construction and related services	**323**	193	**37**	(18)	**11.5%**	–9.3%
	1,934	2,205	**607**	676	**31.4%**	30.7%

Other income and gains, net

The Group recorded net other income and gains of RMB93 million during the year, increased by RMB5 million as compared with last year of RMB88 million. The other income for the year mainly comprised (i) value added tax refund from waste treatment business of RMB58 million (2022: RMB51 million), (ii) interest income of RMB22 million (2022: RMB14 million) and (iii) government grants of RMB10 million (2022: RMB12 million).

Administrative expenses

The Group's administrative expenses for the year increased by 27.4% from RMB179 million to RMB228 million, mainly caused by the increase of administration expenses in corporate management and ecological construction segment.

Other operating expenses, net

Except for impairment loss on receivables under service concession arrangements of RMB22 million, the Group incurred net other operating expenses of RMB28 million during the year, decreased by RMB66 million as compared with last year of RMB94 million. The other operating expenses for the year mainly comprised (i) impairment loss on operating concessions of RMB15 million (2022: RMB73 million), (ii) impairment loss on trade receivables of RMB5 million (2022: RMB10 million) and (iii) net foreign exchange loss of RMB7 million (2022: RMB7 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Finance costs

The Group's finance cost for the year increased by 17.7% from RMB141 million to RMB166 million, which mainly comprised interest on bank loans of RMB48 million (2022: RMB40 million), interest on a loan advanced from Idata Finance Trading Limited ("Idata"), the immediate holding company of the Company, of RMB41 million (2022: RMB39 million) and interest on loans advanced from 北京控股集團財務有限公司 ("BG Finance") and 北京控股投資管理有限公司 ("BG Management"), fellow subsidiaries of the Company, of RMB28 million (2022: RMB33 million) and RMB45 million (2022: RMB41 million), respectively. Interest on bank loans of RMB93,000 (2022: RMB16 million) incurred for the construction of solid waste treatment projects have been capitalised during the year.

Income tax

The Group's income tax expense for the year decreased by 20.6% from RMB68 million to RMB54 million, comprising current tax expenses of RMB103 million (2022: RMB56 million) and deferred tax credit of RMB49 million (2022: tax charge of RMB12 million). The Group's effective tax rate for the year was 21.1% (2022: 19.5%).

EBITDA and profit for the year

EBITDA for the year was RMB662 million, decreased by 5.2% or RMB36 million as compared with last year of RMB698 million. Profit for the year amounted to RMB202 million, decreased by 28.4% or RMB80 million as compared with last year of RMB282 million. Profit for the year attributable to shareholders of the Company amounted to RMB191 million, decreased by 37.2% or RMB113 million as compared with last year of RMB304 million.

	EBITDA		Profit for the year		Profit attributable to shareholders of the Company	
	2023	2022	**2023**	2022	**2023**	2022
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Solid waste treatment segment	**717**	843	**325**	459	**315**	440
Ecological construction services segment	**20**	(34)	**2**	(44)	**1**	(22)
Corporate and others segment	**(38)**	(38)	**(80)**	(78)	**(80)**	(78)
	699	771	**247**	337	**236**	340
Less: Impairment of non-current assets	**(37)**	(73)	**(45)**	(55)	**(45)**	(36)
	662	698	**202**	282	**191**	304

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

FINANCIAL POSITION

Significant investing and financing activities

In June 2023, the Group established a 90% owned joint venture company for the investment, construction and operation of the Shiyan Project. The estimated total investment on phase one of the Shiyan Project was approximately RMB459 million and it is scheduled to be put into operation by the end of 2024.

Except for the expansion construction and continuous technical modifications on the existing waste incineration plants, the Group had made no material investment, acquisition and disposal of subsidiaries and associated companies during the year.

Total assets and liabilities

As at 31 December 2023, the Group had total assets and total liabilities amounted to RMB9,897 million and RMB6,241 million, respectively, decreased by RMB674 million and RMB890 million as compared with those as at 31 December 2022, respectively. Net assets of the Group was RMB3,656 million, increased by RMB216 million from the end of last year.

Property, plant and equipment

The Group's property, plant and equipment mainly comprised those equipped for the Shandong Taian Project which operated under Build-Own-Operate ("BOO") arrangements of RMB508 million. Following the close of Zhangjiagang BOO Project and the completion of the expansion construction of Zhangjiagang Jingmai Project, the plant of Zhangjiagang BOO Project will be transferred to the government authority and its property, plant and equipment in the amount of RMB302 million has been reclassified as non-current assets held for disposal. As a consequence, the net carrying amount of the Group's property, plant and equipment decreased by RMB322 million to RMB560 million during the year, of which capital expenditure of RMB64 million (2022: RMB40 million) has been incurred and depreciation of RMB58 million (2022: RMB58 million) has been recognised in profit or loss.

Goodwill

The Group acquired certain companies engaging in the solid waste treatment business in April 2014 and October 2016 and aggregate goodwill of RMB1,010 million arose from these acquisitions. The Company has appointed an independent professional valuer to assess the goodwill impairment testing at the end of the reporting period. The recoverable amount of the cash generating unit of the solid waste treatment business has been determined based on its value-in-use, which has been determined based on the future cash flows of the solid waste treatment business and discounted to the present values. The Company considered that the key assumptions adopted by the valuation were reasonably conservative and appropriate. As value-in-use value of the relevant cash generating units exceeded its aggregate carrying amount of the relevant assets, the Company is reasonably considered that no impairment provision is necessary for the Group's goodwill as at 31 December 2023.

Right-of-use assets

The Group's right-of-use assets decreased by RMB14 million to RMB51 million during the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Operating concessions

The Group's operating concessions are recognised from the solid waste treatment plants operated under Build-Operate-Transfer ("BOT") arrangements. The net carrying amount of the Group's operating concessions decreased by RMB32 million to RMB2,720 million, of which additions to operating concessions of RMB148 million (2022: RMB499 million) has been incurred, amortisation and impairment of RMB165 million (2022: RMB133 million) and RMB15 million (2022: RMB73 million), respectively, has been recognised in profit or loss.

Other intangible assets

During the year, the net carrying amount of the Group's other intangible assets increased by RMB13 million to RMB51 million, which mainly comprised the fair value of the operation rights/licenses of RMB34 million and computer software of RMB17 million.

Receivables under service concession arrangements

The Group's receivables under service concession arrangements are recognised from the household waste treatment plants operated under BOT arrangements with guaranteed waste treatment revenue. Resulting from the continuing construction of solid waste treatment plants during the year, the carrying amount of the Group's receivables under service concession arrangements increased by RMB140 million to RMB2,433 million, of which the additional receivable recognised from the Zhangjiagang Jingmai Project and Shiyan Project during the year amounted to RMB238 million, and impairment of RMB22 million (2022: Nil) has been recognised in profit or loss.

Inventories

The Group's inventories mainly represented coal and consumables used for the operation of solid waste treatment plants and was steadily maintained at RMB43 million.

Trade and bills receivables

The Group's trade and bills receivables increased by RMB149 million to RMB707 million (net of impairment of RMB27 million) from the end of last year, which comprised receivables (before impairment) from grid electricity of RMB395 million (2022: RMB322 million), waste treatment services of RMB273 million (2022: RMB240 million), construction and related services of RMB66 million (2022: RMB41 million).

According to the ageing analysis as at 31 December 2023, national subsidy of grid electricity of RMB325 million (46% of the total receivables) are unbilled and invoice date of the Group's trade and bills receivables fall within three months amounted to RMB161 million (23% of the total receivables).

Prepayments, deposits and other receivables

The Group's total prepayments, deposits and other receivables increased by RMB17 million to RMB278 million from the end of last year, which mainly comprised prepayments of RMB46 million, value added tax refund and other taxes recoverable of RMB155 million, balances due from fellow subsidiaries of RMB47 million, deposits and other receivables of RMB30 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Bank and other borrowings

During the year, the Group repaid the loan from BG Management of RMB800 million and bank and other borrowings in total of RMB687 million, and advanced new bank and other borrowings in total of RMB270 million. As a consequence, the Group has total bank and other borrowings amounted to RMB4,436 million as at 31 December 2023, which comprised (i) HK$2,693 million from Idata, (ii) RMB1,360 million from commercial banks in Chinese Mainland, (iii) RMB613 million from BG Finance and (iv) RMB39 million from a non-controlling equity holder of a subsidiary. Excluding the loan from Idata which bears interest at 1.7% per annum, the weighted average interest rate of the Group's bank and other borrowings was reduced from approximately 4.0% to 3.6% per annum.

Deferred income

The Group's deferred income increased by RMB1 million to RMB154 million from the end of last year, which mainly represented PRC government grants and subsidies on solid waste treatment business. During the year, the Group received an additional government grant of RMB10 million and amortisation of RMB9 million is recognised in profit or loss.

Trade payables

The Group's trade payables increased by RMB184 million to RMB860 million from the end of last year, of which RMB263 million are unbilled.

Other payables and accruals

The Group's total other payables and accruals increased by RMB9 million to RMB414 million from the end of last year. Included in other payables and accruals are loan interest payable to Idata of RMB82 million and amounts due to fellow subsidiaries of RMB103 million.

Liquidity and financial resources

The Group adopts conservative treasury policies in cash management. As at 31 December 2023, the Group had cash and cash equivalents amounted to RMB1,210 million (approximately 87% of which were denominated in RMB) and bank and other borrowings amounted to RMB4,436 million (included the shareholder's loan from Idata of HK$2,693 million).

As at 31 December 2023, the Group has current assets of RMB2,995 million and current liabilities of RMB4,073 million (included the shareholder's loan from Idata of HK$2,693 million).

In consideration of the stable cash recurring nature of solid waste treatment operations and the financial support of the holding company, the directors of the Company considered that the Group has sufficient cash resources to finance its operations in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Key performance indicators

	2023	2022
Gross profit margin	**31.4%**	30.6%
Operating profit margin	**21.8%**	22.3%
Net profit margin	**10.4%**	12.8%
Return on average equity	**5.7%**	8.6%
Current ratio *(times)*	**0.74**	2.58
Debt ratio *(total liabilities/total assets)*	**63.1%**	67.5%
Gearing ratio *(net debt/total equity)*	**88.2%**	93.8%

Capital expenditure and commitment

During the year, the Group's total capital expenditures amounted to RMB229 million, of which RMB196 million was spent on construction and modification of waste incineration plants and RMB33 million was spent on purchase of other assets. As at 31 December 2023, the Group has capital commitment for service concession arrangements amounted to RMB413 million.

Charges on the Group's assets

As at 31 December 2023, save as (i) certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of RMB2,396 million (2022: RMB2,260 million), which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors; and (ii) the Group's trade receivables of RMB1 million (2022: Nil) arising from the provision of solid waste treatment services are mortgaged for the Group's bank loans, the Group did not have any charges on the Group's assets.

Foreign exchange exposure

The Company's presentation currency for its consolidated financial statements has been changed from Hong Kong dollars to RMB from 1 January 2023. As most of the Group's transactions and assets are denominated and settled in RMB, the Board considers that RMB is more appropriate as the presentation currency for the Group's consolidated financial statements. During the year, the losses arising on settlement or translation of monetary items of RMB7 million (2022: RMB7 million) are taken to profit or loss and the net comprehensive income arising on translation of foreign operations/financial statements of RMB11 million (2022: RMB59 million) are recognised in the exchange fluctuation reserve. Currently, the Group has not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

As at 31 December 2023, save as the indemnities issued to financial institutions for performance bonds in respect of construction undertaken by subsidiaries of RMB70 million, the Group did not have any significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 1,248 employees (2022: 1,324). Total staff cost for the year was RMB298 million, increased by 11.6% as compared with RMB267 million in last year. The Group's remuneration policy and package are periodically reviewed and generally structured by reference to market terms and individual performance. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. KE Jian, aged 55, is the former Chairman of the Company, a former Vice President of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392) and a former Executive Director of Beijing Enterprises Water Group Limited ("BEWG", stock code: 371). Mr. Ke is a PRC Chief Senior Accountant, Certified Tax Agent and Senior International Finance Manager. Mr. Ke obtained a bachelor's degree in economics from Beijing College of Finance and Commerce and an MBA degree from Murdoch University, Australia. Mr. Ke joined BEHL since 1997 and has extensive experience in finance and corporate management. Mr. Ke joined the Group in August 2013 and resigned on 1 February 2024.

Mr. CHEN Xinguo, aged 56, is the Chairman and Chief Executive Officer of the Company and concurrently a Vice President of BEHL. Mr. Chen is a PRC Senior Economist, graduated from the Department of Industrial Economics and Planned Economics of Renmin University of China and obtained a doctoral degree in economics from Renmin University of China. Prior to joining the Company, Mr. Chen was an officer and a Deputy Commissioner of Beijing Planning Committee and Beijing Development and Planning Committee from 1994 to 2003. From 2003 to 2021, Mr. Chen was an assistant manager of the investment department of Beijing Holdings Limited, a manager of the strategic development department of Beijing Enterprises Group Company Limited, a Deputy General Manager of Beijing Gas Group Company Limited and Beijing Beiran Enterprise Company Limited and an Executive Director (2013 to 2015) and a Vice President (2013 to July 2021) of China Gas Holdings Limited (stock code: 384). Mr. Chen has substantial experience in business management and development. Mr. Chen joined the Group in August 2021 and acted as the Chairman of the Company on 1 February 2024.

Ms. SHA Ning, aged 53, is concurrently a Vice President of BEHL and an Executive Director of BEWG. Ms. Sha is a PRC Chief Senior Accountant, graduated from the Business and Economics Faculty of Heilongjiang Institute of Commerce, studied Accounting in Beijing School of Business and Capital University of Economics and Business and obtained an EMBA degree from The Hong Kong University of Science and Technology. Ms. Sha joined BEHL since 2001 and has extensive experience in financial management. Ms. Sha joined the Group in March 2009.

Mr. YU Jie, aged 54, is concurrently the chairman of labour union of BEHL. Mr. Yu is a PRC Economist, an International Senior Human Resources Manager and obtained an MBA degree from City University, Bellevue. Prior to joining the Company, Mr. Yu was a manager of human resources department of Beijing Enterprises Teletron Information Technology Co., Ltd. and a deputy office manager of Beijing Enterprises Investment and Management Co., Ltd. from 2001 to 2007, a deputy manager and manager of human resources department and a President Assistant of BEHL from 2007 to 2018. Mr. Yu has substantial experience in human resources management. Mr. Yu joined the Group in October 2021.

Mr. LI Ai, aged 45, is a Vice President of the Company. Mr. Li is a PRC practising lawyer, obtained a bachelor's degree in law in the PRC in 2001 and a master's degree in law from the Faculty of Law of the University of Wollongong, Australia in 2008. Prior to joining the Company, Mr. Li worked in the State-owned Assets Supervision and Administration Commission of the Beijing Municipal People's Government from 2009 to 2017. and successively served as the Vice President and General Manager of the Western Region of BEWG from 2017 to 2023. Mr. Li has extensive experience in the development of state-owned enterprises, corporate operations, risk management, etc. Mr. Li joined the Group in February 2024.

Mr. NG Kong Fat, Brian, aged 68, is a member of the Institute of Chartered Accountants of Scotland, graduated from the University of Stirling in Scotland in 1983 and. also served as an independent non-executive director of OneForce Holdings Limited (stock code: 1933). Mr. Ng has substantial experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. JIN Lizuo, aged 66, obtained a bachelor's degree in economics from Peking University in 1982 and a doctoral degree in economics from Oxford University in 1993. Dr, Jin is the founding president of Chinese Economic Association (UK) and has been engaged in corporate development strategy and management consulting work for a long time. Dr. Jin has been served as an independent non-executive director of NetBrian Technologies Inc. since February 2002, a supervisor of China International Capital Corporation Limited (stock code: 3908) since May 2015 and an independent non-executive director of Dadi International Group Limited (stock code: 8130) since February 2020. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 74, is the chief executive officer and one of the founding partners of GCS Capital. Dr. Huan obtained a PhD degree from Princeton University and holds two Master of Arts degrees from Columbia University and the University of Denver. Dr. Huan held the position of Post-Doctoral Fellow at the Center for international and Strategic Studies, Harvard University and pursued a graduate studies program at the Graduate School of Chinese Academy of Social Sciences in Beijing. Prior to founding GCS Capital, Dr. Huan was the chairman and a founding member of Primus Pacific Partners, the head of Asia-Pacific Investment Banking at HSBC, co-head of Asia-Pacific Investment Banking at Citigroup Global Markets Inc., managing director and head of China at BZW Asia and a senior economist at JP Morgan Asia. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 66, is an of counsel of King & Wood Mallesons. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctoral degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood Mallesons in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

Prof. NIE Yongfeng, aged 78, is a professor at School of Environment, Tsinghua University, a doctoral supervisor for a doctoral program in Radiation Protection and Environment Protection, and a doctoral supervisor for Environmental Science and Engineering. Prof. Nie retired in April 2011, and is currently the deputy director of the Academic Committee of the Ministry of Education Key Laboratory for "Solid Waste Management and Environment Safety", Tsinghua University, a member of each of the Science and Technology Committee, the Municipal Work Committee, and the Resources and Sustainable Development Committee, Ministry of Housing and Urban-Rural Development, a member of the Expert Committee, the China Association of Urban Environmental Sanitation, a member of the Urban Garbage Treatment Professional Committee, the China Association of Environmental Protection Industry. Prof. Nie has solid theoretical foundation and extensive practical experience in urban domestic garbage, industrial solid waste and dangerous waste management, treatment, disposal and resource utilisation technology, and groundwater remediation theory and technology. Prof. Nie joined the Group in January 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(CONTINUED)*

Mr. CHEUNG Ming, aged 63, is the vice chairman of a mineral company in Hong Kong. From 2013 to 2017, Mr. Cheung had served as an executive director and the chief executive officer of BEP International Holdings Limited ("BEP", stock code: 2326, renamed as New Provenance Everlasting Holdings Limited). Prior to joining BEP, he had served as the executive director of Hengli & Liqi Furniture Limited ("Hengli"), a Hong Kong company specialising in the production of furniture for sale to Europe markets, and was responsible for the international business development of Hengli. Before joining Hengli, Mr. Cheung had served as the chief executive officer of a Hong Kong based retailing company. Mr. Cheung has extensive business management experience including over 30 years of experience in retail business and international trade in Chinese Mainland, Hong Kong and Taiwan. Mr. Cheung had been leading the companies he served in setting down long-term development blueprints including strategies for corporate and business development as well as brand building to enhance their market competitiveness and profitability, which laid the solid foundation for their sustainable growth in the Greater China and Asia-Pacific regions. Mr. Cheung joined the Group in August 2014.

SENIOR MANAGEMENT

Mr. WANG Juwei, aged 55, is the Vice President of the Company. Mr. Wang is a PRC Senior Engineer and graduated from Urban Construction and Engineering Faculty of Beijing Institute of Civil Engineering and Architecture. Prior to joining the Company, Mr. Wang worked at the Beijing Gas Group from 2000 to 2010, served as the Director and Deputy General Manager of Beijing Gas Miyun Co., Ltd., the Deputy General Manager and General Manager of Engineering Construction Management Branch of Beijing Gas Group Company Limited, and the Chairman of Beijing Tianxing Gas Engineering Co., Ltd. from 2010 to 2021. Mr. Wang has substantial experience in planning, market development and engineering construction. Mr. Wang joined the Group in October 2021.

Ms. XU Jiaqi, aged 40, is the Vice President of the Company. Ms. Xu is a PRC Senior Engineer and graduated from Dalian University of Technology and Tianjin University with a Master's Degree of Science in Thermal Engineering. Prior to joining the Company, Ms. Xu served as an assistant to the Director of State Grid Beijing Economics and Technology Research Institute, Chief Engineer of Beijing Gas Energy Development Co., Ltd., Deputy General Manager of District Energy Department of Beijing Enterprises Clean Energy Group Limited and General Manager of Beijing TUS National Gas Energy Technology Co., Ltd. Ms. Xu has substantial experience in thermal engineering and investment and management. Ms. Xu joined the Group in February 2022.

Ms. ZHENG Xin, aged 44, is the Vice President of the Company. Ms. Zheng is a PRC Senior Accountant and Chinese Certified Public Accountant. Ms. Zheng graduated from Accounting Faculty of Tianjin University of Finance and Economics and received a Master's Degree in Accounting and Finance from University of Birmingham, United Kingdom. Prior to joining the Company, Ms. Zheng worked at Ernst & Young from 2005 to 2014 and left at the position of senior audit manager. Ms. Zheng joined Beijing Beikong Real Estate Group since 2014 and served as the financial controller of Beijing Beikong Jing O Construction Co., Ltd., Beijing National Alpine Skiing Co., Ltd. and Beijing Beikong Zhi Kai Enterprises Development Co., Ltd. Ms. Zheng has substantial experience in finance and auditing. Ms. Zheng joined the Group in April 2023.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

SENIOR MANAGEMENT *(CONTINUED)*

Ms. LI Yanting, aged 41, is the Assistant to President of the Company. Ms. Li is a PRC Intermediate Economist, graduated from Department of Automation of Tsinghua University and received a Master's Degree in Science from Tsinghua University and a Master's Degree in Economics from Peking University. Prior to joining the Company, Ms. Li served as the project manager of IT Construction and Advisory Department of Beijing Engineering Consulting Corporation from 2006 to 2009, assistant to manager and senior manager of Strategic Investment Department of BEHL from 2010 to 2018. Ms. Li has substantial experience in strategic planning, investment and management. Ms. Li joined the Group in April 2023.

Mr. WONG Kwok Wai, Robin, aged 57, is the Financial Controller and the Company Secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for an international accounting firm and has substantial experience in financial management and company secretarial. Mr. Wong joined the Group in July 1993.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Save as disclosed hereunder, the board (the "Board") of directors (the "Directors") of the Company believes that the Company has complied with the code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix C1 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2023.

BOARD OF DIRECTORS

The principal focus of the Board is on the overall strategic development of the Group, while the management is principally responsible for the Group's business operations. The Board provides guidance on business plans and monitors the results of such plans implemented by the management; reviews and approves the Company's financial objectives, plans and major financial activities; establishes the internal control system and the risk management system of the Company and discusses with the management regularly to ensure that such systems are operating effectively. The Board promotes a culture of integrity at the Company and requires all Directors and the management to comply with guidance related to integrity and ethics, including conflicts of interest, related party transactions and the treatment of confidential information.

The Board currently comprises five executive Directors (including a female Director) and five independent non-executive Directors. The average ages of executive Directors and independent non-executive Directors are 56 and 68, respectively. Details of backgrounds and qualifications of Directors are set out on pages 14 to 17. There is no relationship (including financial, business, family or other material/relevant relationship) among the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

During the year ended 31 December 2023, the Board has complied with Rules 3.10(1) and (2) of the Listing Rules to appoint at least three independent non-executive Directors and at least one independent non-executive Director possesses appropriate professional accounting qualifications or financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Board considers that all independent non-executive Directors meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

Every newly appointed Director is given a comprehensive, formal and tailored-made induction on appointment. In addition, the Directors are provided with briefings and trainings from time to time to ensure that they have a proper understanding of the Company's operations and business and are fully aware of their responsibilities under relevant statues, laws, Listing Rules and other regulations. The Directors are provided with monthly reports updates which give a balanced and understandable assessment of the Company's performance and financial position to enable the Directors to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

As at 31 December 2023, as all the independent non-executive Directors have served more than nine years on the Board, a new independent non-executive Director will be appointed at the forthcoming annual general meeting.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD OF DIRECTORS *(CONTINUED)*

During the year, the Company organised an in-house seminar and provided reading materials for the Directors to ensure that they have participated in continuous professional development to develop and refresh their knowledge and skills. A summary of training received by the Directors during the year according to the records provided by the Directors is as follows:

Name of Director	Position	Self-reading materials	Attended seminar
Mr. Ke Jian	Chairman and executive Director	✓	
Ms. Sha Ning	Executive Director	✓	
Mr. Chen Xinguo	Executive Director	✓	
Mr. Yu Jie	Executive Director	✓	✓
Mr. Ng Kong Fat, Brian	Executive Director	✓	
Dr. Jin Lizuo	Independent non-executive Director	✓	✓
Dr. Huan Guocang	Independent non-executive Director	✓	
Dr. Wang Jianping	Independent non-executive Director	✓	✓
Prof. Nie Yongfeng	Independent non-executive Director	✓	✓
Mr. Cheung Ming	Independent non-executive Director	✓	✓

The Board held two regular meetings during the year ended 31 December 2023. Details of attendance of each Director at the regular Board meetings and general meetings are as follows:

		Attendance	
Name of Director	Position	Regular Board meetings	General meetings
Mr. Ke Jian	Chairman and executive Director	2/2	1/1
Ms. Sha Ning	Executive Director	2/2	1/1
Mr. Chen Xinguo	Executive Director	2/2	1/1
Mr. Yu Jie	Executive Director	1/2	1/1
Mr. Ng Kong Fat, Brian	Executive Director	1/2	0/1
Dr. Jin Lizuo	Independent non-executive Director	1/2	1/1
Dr. Huan Guocang	Independent non-executive Director	2/2	0/1
Dr. Wang Jianping	Independent non-executive Director	2/2	0/1
Prof. Nie Yongfeng	Independent non-executive Director	2/2	1/1
Mr. Cheung Ming	Independent non-executive Director	2/2	1/1

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD OF DIRECTORS *(CONTINUED)*

Under Code Provision C.1.6, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, certain independent non-executive Directors were unable to attend the general meetings of the Company due to other business engagements.

Under Code Provision C.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive Directors to voice their views by individual communication with the chairman of the Board (the "Chairman").

Under Code Provision C.5.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. However, the Company considers it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

CHAIRMAN AND CHIEF EXECUTIVE

The Company has complied with Code Provision C.2.1 which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Ke Jian, the Chairman, is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans and evaluation of the Company's performance. Mr. Chen Xinguo, the chief executive officer of the Company, is responsible for the day-to-day operations of the Group and oversight of the management. The Company currently has four vice-presidents (including two female executives) and details of their backgrounds and qualifications are set out on pages 14 and 16.

NON-EXECUTIVE DIRECTORS

None of the existing non-executive Directors is appointed for a specific term. All non-executive Directors are subject to retirement by rotation in accordance with the Company's articles of association.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD COMMITTEES

Audit Committee

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and Code Provision D.3. The current members of the Audit Committee comprise three independent non-executive Directors, namely Dr. Huan Guocang (committee chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the Audit Committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee held two meetings during the year under review. The Audit Committee have reviewed the interim and annual results, financial positions, risk management, internal control, impacts of the new accounting standards and management issues of the Group.

Name of member	Attendance
Dr. Huan Guocang (Chairman)	2/2
Dr. Jin Lizuo	1/2
Dr. Wang Jianping	2/2

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with Rule 3.25 of the Listing Rules and Code Provision E.1. The current members of the Remuneration Committee comprise three independent non-executive Directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the Chairman, Mr. Ke Jian. The Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive Directors' and senior management's remuneration.

The role and function of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iv) to make recommendations to the Board on the remuneration packages of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) 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 relevant contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

No meeting was held by the Remuneration Committee during the year under review and the remuneration packages of the Board members remains unchanged during the year. Details of remuneration of the Directors and the five highest paid employees are set out in notes 9 and 10 to the financial statements.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee

The Nomination Committee was established with terms of reference in accordance with Rule 3.27A of the Listing Rules and Code Provision B.3. The current members of the Nomination Committee comprise the Chairman, Mr. Ke Jian (committee chairman), and three independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

The role and function of the Nomination Committee include (i) review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) review the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives; (iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assess the independence of independent non-executive Directors; and (v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee has adopted a nomination policy which sets out the following criteria and procedures for nomination of Directors:

Nomination Criteria

In determining the suitability of a candidate, the Nomination Committee shall consider the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence, age, culture, ethnicity and gender diversity. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to the following:

(a) Skills and Experience: The candidate should possess the skills, knowledge and experience which are relevant to the business of the Group.

(b) Diversity: Candidates should be considered on merit and against objective criteria, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company and the balance of skills and experience in board composition.

(c) Availability: The candidate shall be willing to devote adequate time for discharging the duties of a member of the Board and other director position.

(d) Character and integrity: The candidate must satisfy the Board and The Stock Exchange of Hong Kong Limited that he/she is a person of integrity and honesty, and has the character, experience and integrity commensurate with the relevant position as a Director.

(e) Independence: The candidate to be nominated as an Independent Non-executive Director must satisfy the independence criteria set out in Rule 3.13 of the Listing Rules.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD COMMITTEES *(CONTINUED)*

Nomination Committee *(continued)*

Nomination Procedures

(a) If the Board determines that an additional or replacement Director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate.

(b) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a Shareholder as a nominee for election to the Board.

(c) Upon considering a candidate suitable for the position of Director, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment.

(d) On making recommendation, the Nomination Committee may submit the candidate's personal profile to the Board for consideration. The Board may appoint the candidate as Director to fill a casual vacancy or as an addition to the Board or recommend such candidate to Shareholders for election or re-election (where appropriate) at the general meeting.

No meeting was held by the Nomination Committee during the year under review and the Board composition remains unchanged during the year.

COMPANY SECRETARY

The company secretary of the Company is Mr. Wong Kwok Wai, Robin. Details of background and qualification of Mr. Wong are set out on page 17. Mr. Wong has complied with Rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules for securities transactions by directors. All the Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Group's risk management and internal control systems and for reviewing their effectiveness. The Company has established a risk management working group, which consists of senior management of the Group. Based on the characteristics of waste treatment business, the working group has continuously identified, evaluated and managed significant risks of the Company and its subsidiaries, covering the areas of safety production, financial security, contract execution and human resources protection. The report of findings has been reviewed by the chief executive working committee.

An internal audit department has been established in accordance with Code Provision D.2.5. It has conducted regular review regarding internal control systems of the Company and its subsidiaries and any material defects have been resolved.

The Company considered that its risk management and internal control systems are effective and adequate.

AUDITORS' REMUNERATION

An analysis of remuneration in respect of services provided by the auditors, Ernst & Young, of the Group is as follows:

	RMB'000
Annual audit services	2,574
Non-audit services (which included agreed-upon procedures on interim financial statements, review of continuing connected transactions and preliminary announcement of annual results, tax compliance and consultancy services)	962
	3,536

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the responsibilities of the auditor to the shareholders are set out on pages 39 to 41. The Directors have confirmed that the Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

DIVERSITY

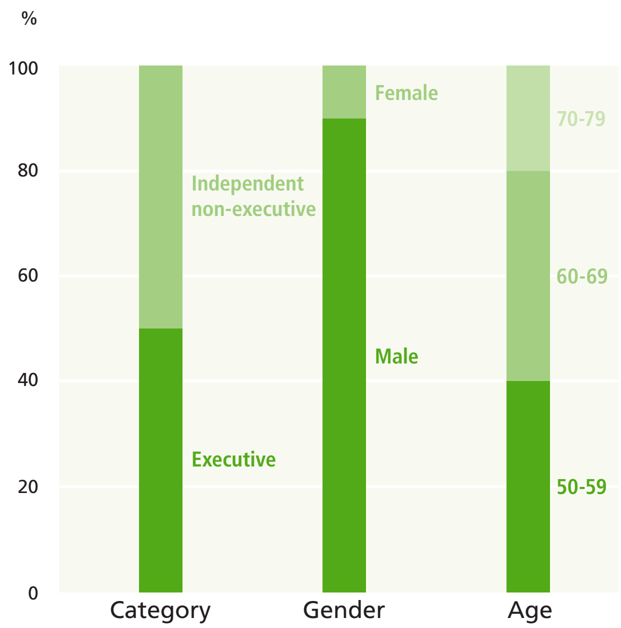
The Board has adopted a board diversity policy. With the aim of enhancing Board effectiveness and corporate governance level as well as achieving our Group's business objectives, the Company sees increasing diversity at the Board level as an essential element in supporting its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and any other factors that the Board may consider relevant and applicable from time to time. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard to the benefits of Board diversity.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

DIVERSITY *(CONTINUED)*

During the reporting period, the Company has a solid slate of Directors with diverse perspectives, and varied educational background and professional qualifications. All of the Directors have accumulated experience in their respective field of expertise, and made use of their talent and experience to drive the industry so as to bring sustainable growth to the Company.

As at 31 December 2023, the analysis of the Board diversity is as follows:



The waste incineration industry is traditionally short of female employees. As at 31 December 2023, female employees represented approximately 24% of the Group's total workforce. The Group shall continue to recruit more suitable female employees and maintain gender diversity in workforce.

SHAREHOLDERS' RIGHTS

The Company recognises the importance of good communications with shareholders and investors and also recognises the value of providing current and relevant information to shareholders and investors. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual and extraordinary general meetings of the Company provide a forum for shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with shareholders. All registered shareholders are entitled to attend the general meetings and notices of meeting are served by post. Shareholders who are unable to attend a general meeting may complete and return to the Company's share registrar the proxy form enclosed with notice of meeting to give proxy to their representatives or chairman of the meeting. The Company considered that the communication with shareholders is effectively conducted.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

Shareholders' Right to Convene Extraordinary General Meeting

The articles of association of the Company provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on requisition, or, in default, may be convened by the requisitionists, all as provided by the Hong Kong Companies Ordinance, which provides that the directors are required to call a general meeting if the company has received requests to do so from shareholders of the company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings.

Shareholders' Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by email to general@beegl.com.hk for the attention of the company secretary.

Shareholders' Right to Put Forward Proposals at General Meetings

The Hong Kong Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the shareholders of the company representing at least 2.5% of the total voting rights of all the shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 shareholders who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Hong Kong Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by email to general@beegl.com.hk for the attention of the company secretary.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, there was no change in the Company's constitutional documents.

DIVIDEND POLICY

The Company aims at providing stable and sustainable returns to shareholders. In deciding whether to propose a dividend and in determining an appropriate basis and method for dividend distribution, the Board will take into account, inter alia, the reasonable return in investment of the investors and the Shareholders, the actual and expected financial conditions, business plans, future operations and earnings, capital requirements and expenditure plans of the Company, any restrictions on payment of dividends that may be imposed by the Company's lenders, the general market sentiment and circumstances and any other factors the Board deems appropriate.

REPORT OF THE DIRECTORS

The directors (the "Directors") of Beijing Enterprises Environment Group Limited (the "Company") present their report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2023.

Change of presentation currency

Prior to 1 January 2023, Hong Kong Dollars ("HK$") was regarded as the functional currency of the Company and the consolidated financial statements were presented in HK$. As most of the Group's transactions and assets are denominated and settled in Renminbi ("RMB"), the Board considers that RMB is more appropriate as the presentation currency for the Group's consolidated financial statements. Pursuant to a resolution of the Board passed on 8 December 2023, the Group adopted RMB as its presentation currency for its consolidated financial statements. The Board considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group's actual financial performance and financial position.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business and key performance indicators of the Company's business can be found in the Management Discussion and Analysis set out on pages 6 to 13 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2023 and the Group's financial position at that date are set out in the financial statements on pages 42 to 129.

The Directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 130. This summary does not form part of the audited financial statements.

SHARE CAPITAL

There were no movements in the Company's share capital during the year.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company had no reserves available for distribution, calculated in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance.

REPORT OF THE DIRECTORS *(CONTINUED)*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 33% of the Group's revenue for the year and sales to the largest customer included therein amounted to 11%. Purchases from the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year.

Save as disclosed above, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The Directors during the year were:

Executive Directors:
Mr. Ke Jian
Ms. Sha Ning
Mr. Chen Xinguo
Mr. Yu Jie
Mr. Ng Kong Fat, Brian

Independent non-executive Directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) were (in alphabetical order of surname) Messrs. Bu Yaming, Chen Gang, Chen Zhaojun, Du Qingjiang, Du Yan, Feng Hailian, Guan Yinfeng, Han Yunyi, Hu Fang, Jiang Chao, Jin Fuqing, Ju Zheng, Lei Yanqing, Li Xiaoyun, Li Yanting, Liang Qiping, Liu Runwei, Ng Kwong Fung, Ouyang Yuewen, Qiu Song, Shao Qing, Shi Yongliang, Sun Xiaoyan, Thio Seng Tji, Tung Woon Cheung Eric, Wan Wei, Wang Bingsheng, Wang Juwei, Wang Yu, Wong Kwok Wai, Xin Kun, Xiong Lei, Yang Lanhua, Zeng Jun, Zhang Jing, Zhang Jipeng, Zhang Kun, Zhang Zhiwu and Zhu Hongli.

Subsequent to the end of the reporting period, with effect from 1 February 2024,

1. Mr. Ke Jian resigned as the Chairman of the Board and an executive Director;

2. Mr. Chen Xinguo is appointed as the Chairman of the Board; and

3. Mr. Li Ai is appointed as an executive Director.

In accordance with articles 95 and 104(a) of the Company's articles of association, Messrs. Li Ai, Yu Jie, Ng Kong Fat, Brian and Huan Guocang will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. None of the Directors is appointed for a specific term.

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS *(CONTINUED)*

Save as disclosed above, since the date of the Company's 2023 interim report and up to the date of this annual report, there has been no material change in the Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

Mr. Li Ai obtained the legal advice pursuant to Rule 3.09D of the Listing Rules on 1 February 2024 and confirmed that he understood his obligations as a director of the Company.

The Company has received annual confirmations of independence from all independent non-executive Directors and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 14 to 17 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on page 21 of the annual report.

PERMITTED INDEMNITY PROVISIONS

In accordance with article 182(a) of the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (in so far as is permitted by the Hong Kong Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with its immediate holding company and fellow subsidiaries, further details of which are set out in note 36(a) to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through a controlled corporation**	**Total**	**Percentage of the Company's share capital**
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	0.69

The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company controlled by Mr. Ng Kong Fat, Brian and his associate.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

CONTRACT OF SIGNIFICANCE

Save as the transactions with its immediate holding company and fellow subsidiaries, further details of which are set out in note 36(a) to the financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

REPORT OF THE DIRECTORS *(CONTINUED)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2023, the following interests and short positions of 5% or more of the share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			
Name	Notes	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**Percentage of the Company's total number of issued shares**
Idata Finance Trading Limited ("Idata")		738,675,000	–	738,675,000	49.23
Beijing Enterprises Holdings Limited ("BEHL")	(a)	17,445,000	738,675,000	756,120,000	50.40
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	756,120,000	756,120,000	50.40
Beijing Enterprises Group Company Limited ("BEGCL")	(b)	–	756,120,000	756,120,000	50.40
Cosmos Friendship Limited ("Cosmos")		347,000,000	–	347,000,000	23.13
Khazanah Nasional Berhad ("Khazanah")	(c)	–	347,000,000	347,000,000	23.13

Notes:

(a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.

(b) The interests disclosed include the ordinary shares owned by BEHL and Idata. BEBVI and BEGCL are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the ordinary shares owned by each of BEHL and Idata.

(c) The interests disclosed include the ordinary shares owned by Cosmos. Cosmos is a wholly-owned subsidiary of Khazanah. Accordingly, Khazanah is deemed to be interested in the ordinary shares owned Cosmos.

Save as disclosed above, as at 31 December 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS *(CONTINUED)*

ENVIRONMENTAL POLICIES AND PERFORMANCE

In the field of environmental protection, we adhered to "Sustainable Development". We continued to explore and practice green, low-carbon, and environmentally friendly models of development and strengthened environmental management in production, projects, and operations. We vigorously invested and applied energy-saving and emission-reduction technologies to improve the efficiency of energy resources. Taking advantage of our core business, we actively communicated the concept of low-carbon environmental protection to the society.

Facing the increasingly stringent environmental protection and emission standards, the Company has carried out continuous technological innovation and management improvement for its solid waste treatment business, so as to improve its solid waste treatment efficiency and reduce emissions in projects and daily operations. During the year under review, the Group has handled 4.21 million tonnes household wastes and generated 1.604 billion kWh electricity.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The solid waste treatment operations of the Group are subject to extensive environmental, safety and health laws and regulations promulgated by the PRC government. During the year under review, certain of the Group's waste treatment plants have not completed the filing for or applied for environmental protection completion acceptance within the prescribed time limit, and therefore they are not entitled to apply for subsequent general construction completion acceptance or licenses. The Directors are of the view that the non-compliance incidents, individually and in aggregate would have no material adverse impact on the operations and financial position of the Group.

Save as aforesaid, during the year under review, to the best of the knowledge of the Directors, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interest of its stakeholders including customers, suppliers and employees. The Group maintains good relationship and smooth communication channels with the municipal government authorities and regional electricity bureaus in Chinese Mainland, which are major customers of the solid waste treatment operations of the Group. Any reported issues and recommendations will be followed up promptly with the aims of improving service quality in the future. The Group is in good relationships with its suppliers and conducts a fair and strict appraisal of its suppliers on a regular basis.

Being people-oriented, the Group continues to improve and regularly review and update its policies on staff benefits, training, occupational health and safety. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Work life balance is also emphasised. Regular sports and leisure events were organised to strengthen the bonding among employees.

REPORT OF THE DIRECTORS *(CONTINUED)*

CONNECTED TRANSACTIONS

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

Continuing connected transactions

(1) On 23 December 2020, the Company entered into a deposit services master agreement with Beijing Enterprises Group Finance Co., Ltd. ("BG Finance", a non-wholly-owned subsidiary of BEGCL), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for three years from 1 January 2021 to 31 December 2023. The deposit interest rate will not be lower than (i) the benchmark interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period; and the cumulative daily outstanding deposits balance (in Hong Kong dollars equivalent) placed by the Group with BG Finance (including any interest accrued thereon) during the term of the deposit services master agreement will not exceed HK$40,000,000. Further details of the transactions are set out in the announcement of the Company dated 23 December 2020 and note 36(a)(iii) to the financial statements. During the year ended 31 December 2023, the Group's interest income from BG Finance recognised in profit and loss amounted to approximately RMB54,000.

    On 20 December 2023, the Company further entered into a deposit services master agreement with BG Finance to renew the deposit services for three years from 1 January 2024 to 31 December 2026. The cumulative daily outstanding deposits balance placed by the Group with BG Finance (including any interest accrued thereon) during the renewed term of the deposit services master agreement will not exceed RMB21,800,000. Further details of the transactions are set out in the announcement of the Company dated 20 December 2023.

(2) On 30 May 2023, Beifa Heli (Jining) Environmental Power Co., Ltd. ("Beifa Jining", a 75% indirectly owned subsidiary of the Company) entered into a steam supply contract (the "Contract") with Shandong Sun Paper Company Limited ("Sun Paper"). Sun paper wholly owned Jining Yongyue Environmental Energy Co., Ltd. which holds a 15% equity interest in Beifa Jining. Pursuant to the Contract, Beifa Jining supplies industrial steam to Sun Paper and Sun Paper supplies steam condensate and desalinated water to Beifa Jining, with unit prices mutually agreed between the Contract parties, for the validity period up to 31 December 2025. The annual caps of the fee settlement for the years ending 31 December 2023, 2024 and 2025 are determined at HK$32,000,000, HK$90,000,000 and HK$90,000,000. Further details of the transactions are set out in the announcement of the Company dated 30 May 2023 and note 36(a)(v) to the financial statements. During the year ended 31 December 2023, the Group's revenue derived from the Contract amounted to approximately RMB2,950,000.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS *(CONTINUED)*

CONNECTED TRANSACTIONS *(CONTINUED)*

Continuing connected transactions *(continued)*

Ernst & Young, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *(Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their unmodified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

In accordance with the disclosure requirements of Rule 13.21 of the Listing Rules, the following disclosures are included in respect of the Company's facility letter, which contain covenants requiring performance obligations of the controlling shareholder of the Company. Pursuant to a facility letter dated 25 May 2023 between the Company and China Guangfa Bank Co., Ltd. Hong Kong Branch relating to a one-year revolving loan facility and bank guarantee in aggregate of US$30,000,000, a termination event would arise if BEHL ceased to own, directly or indirectly, at least 50% of the beneficial shareholding, or carrying at least 50% of the voting rights, of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, Messrs. Ke Jian, Sha Ning and Chen Xinguo are vice presidents of BEHL, which is also involved in the solid waste treatment business. They are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Notwithstanding the fact that the Company and BEHL are both engaged in the solid waste treatment business, the Company considers that there has not been competition between it and BEHL in view of the following factors:

(a) clear geographical delineation among solid waste treatment projects;

(b) no direct competition in relation to the supply of household waste and sale of electricity; and

(c) a deed of non-competition has been provided by BEHL in favour of the Company in order to completely avoid any competition between the Company and BEHL.

As the board of Directors of the Company is independent from the board of directors of BEHL and the above Directors do not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of BEHL.

REPORT OF THE DIRECTORS *(CONTINUED)*

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 41 to the financial statements.

AUDITOR

Ernst & Young retires and a resolution for the reappointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

CHEN XINGUO
Chairman

Hong Kong
27 March 2024

INDEPENDENT AUDITOR'S REPORT

Ernst & Young
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To the members of Beijing Enterprises Environment Group Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Enterprises Environment Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 42 to 129, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS OF 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.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

EY 安永

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-financial assets of solid waste treatment segment	
At 31 December 2023, the non-financial assets of solid waste treatment segment of the Group mainly included property, plant and equipment of RMB560 million, right-of-use assets of RMB51 million, goodwill of RMB1,010 million, operating concessions of RMB2,720 million and other intangible assets of RMB51 million. These balances in aggregate represented 44% of the Group's total assets as at that date. Management tests goodwill annually for impairment. Other non-financial assets are assessed annually for any indication of impairment and if such an indication exists, management conducts an impairment assessment. The recoverable amount of goodwill was determined with reference to the value in use of the relevant operating segment, which was determined based on the future cash flows of the relevant cash-generating units of the segment and discounted to the present values. The recoverable amounts of other non-financial assets were determined with reference to the value in use of each project, which was determined based on the future cash flows of the respective cash-generating units and discounted to the present values. The assumptions and methodologies used by the Group, including the waste treatment fee received, government policies on price setting, selling prices and sales volumes of electricity, compensations to be received for relevant assets, operating costs, capital expenditures, growth rates and discount rates, in the projected cash flows had significant effects on the determination of the recoverable amounts of the non-financial assets. We identified the impairment assessment of non-financial assets as a key audit matter because of the significant balances and the significant management judgement and estimation involved. Related disclosures are included in notes 2.4, 3, 13, 14, 15, 16 and 17 to the consolidated financial statements.	We involved our internal valuation specialists to assist us in evaluating the valuation models, assumptions and parameters used by the Group, giving particular attention to the estimated future revenues and results. Our procedures included testing the parameters used in the cash flow forecast, verifying the compensations associated with relevant assets, assessing the accuracy of previous forecasts by comparing them with the current performance, and evaluating the growth and trading assumptions. We then assessed the disclosures on the impairment testing, specifically the key assumptions that had the most significant effect on the determination of the recoverable amounts of the non-financial assets of the solid waste treatment segment, such as the discount rates and growth rates.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

EY 安永

KEY AUDIT MATTERS *(CONTINUED)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
At 31 December 2023, the Group had trade receivables of approximately RMB707 million which represented 7% of the Group's total assets as at that date and mainly arose from the sale of electricity and the provision of solid waste treatment services. Significant management judgements and estimates were involved in determining the amount of expected credit losses of these receivables as at the end of the reporting period for impairment assessment. Given the materiality of these receivables and judgemental nature of the recoverability assessment, we considered this a key audit matter. Related disclosures are included in notes 2.4, 3 and 21 to the consolidated financial statements.	In relation to the impairment assessment of trade receivables, we obtained an understanding of the credit loss provisioning methodology adopted by the Group and assessed the allowance for the expected credit losses estimated by management with reference to the history of actual write-offs and ageing analysis of the trade receivables. We also, on a sample basis, tested the ageing analysis of the trade receivables prepared by management; and checked the settlement status subsequent to the reporting period. We considered the adequacy of the Group's disclosures of the impairment of trade receivables in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

EY 安永

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

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.

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

INDEPENDENT AUDITOR'S REPORT *(CONTINUED)*

EY 安永

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

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 CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023 RMB'000**	2022 RMB'000 (Restated)
REVENUE	5	**1,934,498**	2,205,356
Cost of sales		**(1,327,993)**	(1,529,416)
Gross profit		**606,505**	675,940
Other income and gains, net	6	**93,390**	87,779
Administrative expenses		**(227,829)**	(178,973)
Impairment of receivables under service concession arrangements, net		**(22,377)**	–
Other operating expenses, net		**(27,514)**	(93,504)
PROFIT FROM OPERATING ACTIVITIES	7	**422,175**	491,242
Finance costs	8	**(166,198)**	(141,303)
PROFIT BEFORE TAX		**255,977**	349,939
Income tax	11	**(53,898)**	(68,378)
PROFIT FOR THE YEAR		**202,079**	281,561
ATTRIBUTABLE TO:			
Shareholders of the Company		**190,954**	303,755
Non-controlling interests		**11,125**	(22,194)
		202,079	281,561
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
– Basic and diluted (RMB cents)	12	**12.73**	20.25

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Restated)
PROFIT FOR THE YEAR	**202,079**	281,561
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		
Item that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(28,135)**	(21,030)
Item that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements	**39,197**	79,960
	11,062	58,930
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**213,141**	340,491
ATTRIBUTABLE TO:		
Shareholders of the Company	**206,778**	363,005
Non-controlling interests	**6,363**	(22,514)
	213,141	340,491

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
ASSETS				
Non-current assets:				
Property, plant and equipment	13	**560,201**	882,034	900,823
Right-of-use assets	14(a)	**51,416**	65,007	38,616
Goodwill	15	**1,010,296**	987,845	920,492
Operating concessions	16	**2,720,093**	2,751,631	2,459,104
Other intangible assets	17	**50,902**	37,502	39,200
Investment in a joint venture	18	**–**	5,854	5,455
Receivables under service concession arrangements	16	**2,349,195**	2,214,243	2,029,988
Prepayments, deposits and other receivables	22	**556**	388	20,515
Deferred tax assets	29	**159,675**	50,715	50,872
Total non-current assets		**6,902,334**	6,995,219	6,465,065
Current assets:				
Contract assets	19	**371,820**	262,500	261,815
Inventories	20	**42,988**	42,085	38,613
Receivables under service concession arrangements	16	**83,674**	78,428	58,513
Trade and bills receivables	21	**707,260**	558,339	544,135
Prepayments, deposits and other receivables	22	**276,973**	260,337	209,230
Pledged deposits	23	**–**	483	4,582
Cash and cash equivalents	23	**1,209,940**	2,373,654	1,294,566
		2,692,655	3,575,826	2,411,454
Non-current assets held for disposal	13	**302,173**	–	–
Total current assets		**2,994,828**	3,575,826	2,411,454
TOTAL ASSETS		**9,897,162**	10,571,045	8,876,519

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2023

	Notes	**31 December 2023 RMB'000**	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Company				
Share capital	24	**1,972,895**	1,972,895	1,972,895
Reserves	25(a)	**1,356,531**	1,149,753	786,748
		3,329,426	3,122,648	2,759,643
Non-controlling interests		**326,934**	317,571	340,085
TOTAL EQUITY		**3,656,360**	3,440,219	3,099,728
Non-current liabilities:				
Bank and other borrowings	26	**1,721,509**	5,351,723	1,193,059
Provision for major overhauls	27	**12,540**	10,746	9,212
Other payables	31	**17,337**	24,947	6,530
Deferred income	28	**154,414**	153,501	121,529
Deferred tax liabilities	29	**262,266**	204,566	192,682
Total non-current liabilities		**2,168,066**	5,745,483	1,523,012
Current liabilities:				
Trade payables	30	**860,375**	676,424	619,539
Other payables and accruals	31	**396,466**	379,538	3,390,196
Bank and other borrowings	26	**2,714,238**	247,496	178,689
Income tax payables		**101,657**	81,885	65,355
Total current liabilities		**4,072,736**	1,385,343	4,253,779
TOTAL LIABILITIES		**6,240,802**	7,130,826	5,776,791
TOTAL EQUITY AND LIABILITIES		**9,897,162**	10,571,045	8,876,519

CHEN XINGUO
Director

LI AI
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to shareholders of the Company							
	Share capital RMB'000	**Capital reserve** RMB'000	**Exchange fluctuation reserve** RMB'000	**PRC reserve funds** RMB'000 (note 25(b))	**Retained profits** RMB'000	**Total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
At 1 January 2022 (restated)	1,972,895	21,944	(30,369)	43,744	751,429	2,759,643	340,085	3,099,728
Profit/(loss) for the year (restated)	–	–	–	–	303,755	303,755	(22,194)	281,561
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations (restated)	–	–	(20,710)	–	–	(20,710)	(320)	(21,030)
Exchange differences on translation of the Company's financial statements (restated)	–	–	79,960	–	–	79,960	–	79,960
Total comprehensive income/(loss) for the year (restated)	–	–	59,250	–	303,755	363,005	(22,514)	340,491
Transfer to PRC reserve funds (restated)	–	–	–	9,038	(9,038)	–	–	–
At 31 December 2022 and 1 January 2023 (restated)	**1,972,895**	**21,944***	**28,881***	**52,782***	**1,046,146***	**3,122,648**	**317,571**	**3,440,219**
Profit for the year	–	–	–	–	**190,954**	**190,954**	**11,125**	**202,079**
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operations	–	–	**(23,373)**	–	–	**(23,373)**	**(4,762)**	**(28,135)**
Exchange differences on translation of the Company's financial statements	–	–	**39,197**	–	–	**39,197**	–	**39,197**
Total comprehensive income for the year	–	–	**15,824**	–	**190,954**	**206,778**	**6,363**	**213,141**
Capital contribution from a non-controlling equity holder of a subsidiary	–	–	–	–	–	–	**3,000**	**3,000**
Transfer to PRC reserve funds	–	–	–	**96,882**	**(96,882)**	–	–	–
At 31 December 2023	**1,972,895**	**21,944***	**44,705***	**149,664***	**1,140,218***	**3,329,426**	**326,934**	**3,656,360**

* These reserve accounts comprise the consolidated reserves of RMB1,356,531,000 (2022: RMB1,149,753,000, restated) in the consolidated statement of financial position as at 31 December 2023.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**255,977**	349,939
Adjustments for:			
Interest income	6	**(22,098)**	(13,652)
Depreciation of property, plant and equipment	7	**58,315**	57,524
Depreciation of right-of-use assets	7	**13,591**	13,591
Amortisation of operating concessions	7	**164,924**	132,943
Amortisation of other intangible assets	7	**3,129**	2,263
Provision for major overhauls	7	**1,221**	986
Loss on disposal of items of property, plant and equipment, net	7	**44**	249
Impairment of operating concessions	7	**14,781**	73,435
Impairment of receivables under operating concession arrangements, net	7	**22,377**	–
Impairment of trade and bills receivables, net	7	**5,006**	9,604
Finance costs	8	**166,198**	141,303
		683,465	768,185
Decrease/(increase) in contract assets		**(108,018)**	5,082
Increase in inventories		**(903)**	(3,473)
Increase in receivables under operating concession arrangements		**(154,056)**	(157,290)
Increase in trade and bills receivables		**(151,451)**	(11,871)
Increase in prepayments, deposits and other receivables		**(28,903)**	(25,536)
Increase in trade payables		**425,947**	69,736
Increase/(decrease) in other payables and accruals		**(23,365)**	13,765
Increase in deferred income		**913**	31,971
Cash generated from operations		**643,629**	690,569
Chinese Mainland income tax paid		**(83,621)**	(37,671)
Net cash flows from operating activities		**560,008**	652,898

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(64,159)**	(40,390)
Proceeds from disposal of items of property, plant and equipment		**25,460**	1,406
Additions of operating concessions		**(387,057)**	(483,012)
Purchases of other intangible assets		**(16,529)**	(565)
Deregistration of a joint venture		**5,400**	–
Decrease in time deposits with maturity of more than three months when acquired		**44,663**	45,961
Decrease in pledged deposits		**483**	4,100
Interest received		**31,822**	13,653
Net cash flows used in investing activities		**(359,917)**	(458,847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from a non-controlling equity holder of a subsidiary		**3,000**	–
New bank loans		**249,619**	1,049,704
Repayment of bank loans		**(573,809)**	(149,093)
New other loans		**19,852**	262,003
Repayment of other loans		**(913,000)**	(105,246)
Principal portion of lease payments		**(14,175)**	(15,282)
Interest portion of lease payments		**(1,321)**	(1,950)
Other interest paid		**(119,257)**	(112,903)
Net cash flows from/(used in) financing activities		**(1,349,091)**	927,233
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,149,000)**	1,121,284
Cash and cash equivalents at beginning of year		**2,328,991**	1,203,940
Effect of foreign exchange rate changes, net		**29,949**	3,767
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,209,940**	2,328,991
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits:			
Placed in banks	23	**1,176,189**	2,288,870
Placed in a financial institution	23	**11,794**	16,930
Time deposits	23	**21,957**	68,337
Less: Pledged deposits	23	**–**	(483)
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,209,940**	2,373,654
Less: Time deposits with maturity of more than three months when acquired		**–**	(44,663)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,209,940**	2,328,991

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Beijing Enterprises Environment Group Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in (i) the solid waste treatment business which comprises the provision of waste incineration plant construction and waste treatment services, and the sale of electricity and steam generated from waste incineration; and (ii) ecological construction service business.

At 31 December 2023, the immediate holding company of the Company is Idata Finance Trading Limited ("Idata"), which is a limited liability company incorporated in the British Virgin Islands. Idata is a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL") whose shares are listed on the Main Board of the Stock Exchange. In the opinion of the directors of the Company, the ultimate holding company of the Company is 北京控股集團有限公司 ("BEGCL"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

Information about principal subsidiaries

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

Company name	Place of registration and business	Registered capital	Percentage of equity attributable to the Company	Principal activities
北京北控環境投資有限公司#	PRC/Chinese Mainland	US$40,000,000	100	Investment holding
北京北控環境保護有限公司	PRC/Chinese Mainland	RMB75,000,000	100	Investment holding and provision of waste incineration plant construction and related services
北京北發建設發展有限公司	PRC/Chinese Mainland	RMB20,000,000	80	Provision of waste incineration plant construction and related services
泰安北控環境能源開發有限公司# ("Taian Beikong")	PRC/Chinese Mainland	US$40,700,000	100	Household waste incineration
常德中聯環保電力有限公司# ("Changde Zhonglian")	PRC/Chinese Mainland	RMB145,652,300	100	Household waste incineration

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

1. CORPORATE AND GROUP INFORMATION *(CONTINUED)*

Information about principal subsidiaries *(continued)*

Company name	Place of registration and business	Registered capital	Percentage of equity attributable to the Company	Principal activities
北京北控綠海能環保有限公司* ("Beikong Lvhaineng")	PRC/Chinese Mainland	RMB308,340,000	99	Household waste incineration
北京高安屯垃圾焚燒有限公司* ("Beijing Gaoantun")	PRC/Chinese Mainland	RMB274,000,000	84.896	Household waste incineration
北控環境再生能源(張家港)有限公司# ("Beikong Zhangjiagang")	PRC/Chinese Mainland	RMB637,000,000	100	Household waste incineration
哈爾濱市雙琦環保資源利用有限公司 ("Ha'erbin Shuangqi")	PRC/Chinese Mainland	RMB240,000,000	80	Household waste incineration
北控環境再生能源沭陽有限公司 ("Beikong Shuyang")	PRC/Chinese Mainland	RMB158,369,000	100	Household waste incineration
北控環境(文昌)再生能源有限公司 ("Beikong Wenchang")	PRC/Chinese Mainland	RMB20,000,000	100	Household waste incineration
北發合利(濟寧)環保電力有限公司 ("Beifa Jining")	PRC/Chinese Mainland	RMB240,000,000	75	Household waste incineration
十堰北控再生能源開發有限公司@ ("Shiyan Beikong")	PRC/Chinese Mainland	RMB91,420,000	90	Household waste incineration
湖南衡興環保科技開發有限公司 ("Hunan Hengxing")	PRC/Chinese Mainland	RMB38,090,000	65	Hazardous and medical waste treatment
北京北控生態建設集團有限公司* ("Beikong Ecology")	PRC/Chinese Mainland	RMB101,000,000	51	Provision of ecological construction and related services

Registered as wholly-foreign-owned enterprises under PRC law
* Registered as Sino-foreign joint ventures under PRC law
@ Established during the year

All of the above principal subsidiaries are registered as limited liability companies under PRC law and are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, 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 of the Company, result in particulars of excessive length.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION AND BASIS OF PRESENTATION

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 (the "HKICPA") and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for non-current assets held for disposal are stated at the lower of its carrying amount and fair values less costs to sell, as further explained in note 2.4 to the financial statements. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets as at 31 December 2023. Taking into account the Group's internal resources and undertakings from BEHL and Idata not to demand repayment of the loan due by the Company to Idata until such time when the Group is in a position to repay without impairing its liquidity and financial position, the directors of the Company considered that the Group will be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.1 BASIS OF PREPARATION AND BASIS OF PRESENTATION *(CONTINUED)*

Basis of consolidation *(continued)*

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

New and revised HKFRSs

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

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

Except for the Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* as described below, none of the above new and revised HKFRSs has had a significant financial effect on these financial statements.

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

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the Pillar Two income taxes as current tax when incurred.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

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

New and revised HKFRSs *(continued)*

The Group has assessed its potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. Based on the assessment, the Group's effective tax rates in all jurisdictions in which it operates are above 15% and the directors of the Company are not currently aware of any circumstances under which they might change. Therefore, the Group does not expect potential exposure to Pillar Two "top-up" taxes.

Change of presentation currency

The Company's presentation currency for its consolidated financial statements has been changed from Hong Kong dollars ("HK$") to Renminbi from 1 January 2023. As most of the Group's transactions and assets are denominated and settled in Renminbi, the management considers that Renminbi is more appropriate as the presentation currency for the Group's consolidated financial statements. Further, the management considers that the change of presentation currency will enable the shareholders and potential investors of the Company to have a more accurate picture of the Group's actual financial performance and financial position. The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the consolidated financial statements are presented as if Renminbi had always been the presentation currency of the consolidated financial statements. The Group has also presented the consolidated statement of financial position as at 1 January 2022 without related notes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1,4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

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

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

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

The Group intends to apply these revised HKFRSs, if applicable, when they become effective. Further information about those HKFRSs that are expected to be applicable to the Group is described below:

(a) Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 *Consolidated Financial Statements* and in HKAS 28 *Investments in Associates and Joint Ventures* 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.

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

(c) 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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

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

(d) 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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

(e) 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES

Investment in a joint venture

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

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in the consolidated statement of profit or loss and consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the 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 joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

Upon loss of 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 joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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 at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and financial 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.

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Fair value measurement

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, non-current assets held for disposal and financial assets), 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 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 profit or loss in the period in which it arises.

Non-current assets held for disposal

Non-current assets are classified as held for disposal if their carrying amounts will be recovered principally through an ownership transfer transaction rather than through continuing use. For this to be the case, the asset must be available for immediate ownership transfer in its present condition subject only to terms that are usual and customary for the ownership transfer of such assets and its transfer must be highly probable.

Non-current assets classified as held for disposal are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment classified as held for disposal are not depreciated or amortised.

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 controls 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 holding company of the Group;

or

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Related parties *(continued)*

(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 holding company, 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;

(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 holding company of the entity); and

(viii) the entity, or any member of the group of which it is a part, provides key management personnel service to the Group or to a holding company t 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. 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.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to 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, plant 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

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

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

Buildings	3% to 4%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	5% to 19%
Furniture, fixtures and office equipment	10% to 32%
Motor vehicles	8% to 19%

Where parts of an item of property, plant 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, plant 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 on disposal or retirement recognised in profit or loss in the period 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.

Service concession arrangements

Concession arrangements are recognised in accordance with HK(IFRIC)-Int 12 *Service Concession Arrangements*.

HK(IFRIC)-Int 12 is applicable to concession arrangements comprising a public service obligation and satisfying both of the following criteria:

- The concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and the prices applied; and

- The grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Service concession arrangements *(continued)*

The accounting for service concession arrangements is as follows:

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services; and (b) the grantor has title, if any, discretion to avoid payment, usual because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets the specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for "Investments and other financial assets" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

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.

Construction services

Revenue and costs relating to construction services and upgrade services are accounted for in accordance with the policy set out for "Revenue recognition" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for construction services under solid waste treatment service contracts under "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

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

The Group has contractual obligations which it must fulfil as a condition of its licence, that is (a) to maintain the solid waste incineration plants it operates to a specified level of serviceability and/or (b) to restore the solid waste incineration plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the solid waste incineration plants, except for any upgrade elements, shall be recognised and measured in accordance with the policy set out for "Provisions" below.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic lives 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. The principal annual rates used for this purpose are as follows:

Operating concessions	3% to 6%
Operating rights	4%
Licences	4% to 7%
Computer software	10% to 20%

The Group entered into service concession agreements with government authorities and obtained the rights to operate solid waste incineration plants in the PRC. For the service concession arrangements which are within the scope of HK(IFRIC)-Int 12, the non-guarantee receipt rights to receive cash are accounted for as an "operating concession". For the service concession arrangements which are not within the scope of HK(IFRIC)-Int 12, the fair value of the non-guarantee receipt right to receive cash acquired in a business combination is accounted for as an "operating right". Amortisation of "operating concessions" and "operating rights" is provided on the straight-line basis over the respective periods of the operating concessions granted to the respective subsidiaries of the Group.

Intangible assets with finite lives are subsequently 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.

An intangible asset is derecognised on disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Leases

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

Group as a lessee

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

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(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 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. 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:

Land and building	2 to 5 years
Leasehold land	50 years

If ownership of the leased asset is transferred 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.

The Group's right-of-use assets are presented on the face of the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in "Other payables and accruals".

(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 building, 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 the 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 the straight-line basis over the lease terms and is included in other revenue in 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 other revenue in the period in which they are earned.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Financial assets

Initial recognition and measurement

Financial assets are all classified, at initial recognition, as subsequently measured at amortised cost.

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 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset (debt instrument) 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 (debit instruments) with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Purchases or sales of financial assets (debt instruments) 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

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 profit or loss when the asset is derecognised, modified or impaired.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(continued)*

Derecognition of financial assets

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks 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.

(a) 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).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

(a) General approach *(continued)*

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 3 years past due. The Group has rebutted the 90 days past due presumption of default as some of the customers of the Group are enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations and there was no history of default in prior years, the directors of the Company considered the default rate is minimal. However, 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.

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

(b) 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 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 all classified, at initial recognition, as financial liabilities at amortised cost, which are recognised initially at fair value and net of directly attributable transaction costs.

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

Subsequent measurement

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

After initial recognition, trade payables, other payables and accruals, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in 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 integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in 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 profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

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 consolidated 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 first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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 flow, cash and cash equivalents comprise cash on hand and at banks and short-term deposits a 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 profit or loss.

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 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Income tax *(continued)*

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

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

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

- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, where 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:

- where 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

- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

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.

Where 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 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 profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(a) Waste and other treatments

Revenue from waste treatment, leachate, sludge and other treatments is recognised at the point in time when the services are rendered.

(b) Sale of electricity and steam

Revenue from the sales of electricity and steam, which are produced during solid waste incineration process, is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the electricity and/or steam and the Group has the present right to payment and the collection of the consideration is probable.

(c) 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 waste incineration plant and ecological construction services.

Revenue from construction services under a service concession arrangement is estimated on a cost plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered.

(d) Sale of equipment

Revenue from the sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the equipment and the Group has the present right to payment and the collection of the consideration is probable.

Revenue from other sources

(a) Rental income

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

(b) Interest 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Revenue recognition *(continued)*

Revenue from other sources *(continued)*

(c) Dividend income

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

Contract assets

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 "Financial assets – Impairment" above. 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 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

Pension schemes

The Group has joined a number of defined contribution pension schemes organised by certain provincial or municipal governments in the PRC for certain of its employees, the assets of which are held separately from those of the Group. Contributions are made based on a percentage of the eligible employees' salaries and are charged to profit or loss as they become payable, in accordance with the rules of the pension schemes. The employer contributions vest fully once made.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Employee benefits *(continued)*

Pension schemes *(continued)*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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.

Foreign currencies

The Company has used Renminbi as the presentation currency of these financial statements, which is different from the Company's functional currency of Hong Kong dollar, because most of the Group's transactions and assets are denominated and settled in Renminbi, the management considers that Renminbi would enable the shareholders and potential investors of the Company to have a more accurate picture of the Group's actual financial performance and financial position. 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 profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates 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 change 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.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

2. ACCOUNTING POLICIES *(CONTINUED)*

2.4 MATERIAL ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

The functional currency of the Company and certain subsidiaries is Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Renminbi at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Renminbi at the weighted exchange rates for the year.

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 profit or loss.

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

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and certain subsidiaries which have Hong Kong dollar as their functional currency are translated into Renminbi at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and these subsidiaries which arise throughout the year are translated into Renminbi at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the Group's service concession arrangements, an assumption is also made on the possibility of renewal of the relevant operating rights upon expiry which enables the Group to generate income perpetually. The carrying amount of goodwill carried as an asset in the consolidated statement of financial position as at 31 December 2023 was RMB1,010,296,000 (2022: RMB987,845,000), details of which are set out in note 15 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

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

Impairment of non-financial assets (other than goodwill)

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows or compensation to be received for relevant assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

Details of the impairment losses recognised on the Group's property, plant and equipment, right-of-use assets, operating concessions and other intangible assets during the year are set out in notes 13, 14, 16 and 17 to the financial statements.

Provision for expected credit losses of trade receivables

The Group has established an ECL model that takes into account the ageing of the receivables, credit ratings, probabilities of default and loss given default rates of customers.

The credit ratings, probabilities of default and loss given default rates applied may not be representative of customers' actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of trade receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs of the Group's trade receivables is disclosed in note 21(d) to the financial statements.

Percentage of completion of construction work

The Group recognises revenue for construction work according to the percentage of completion of the individual contracts of construction work. The Group's management estimates the percentage of completion of construction work based on the actual cost incurred over the total budgeted cost, where the corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract as the contract progresses.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

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

Useful lives and residual values of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives of the Group's property, plant and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong and Chinese Mainland. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

Particulars of the Group's reportable operating segments are summarised as follows:

(a) the solid waste treatment segment engages in the provision of waste incineration plant construction and waste treatment services, and the sale of electricity and steam generated from waste incineration;

(b) the ecological construction services segment engages in the provision of ecological construction, design, project survey and design, and construction project management services; and

(c) the corporate and others segment comprises corporate income and expense items and investment holding business.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's profit for the year.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

The following table presents the revenue and profit/(loss) information for the years ended 31 December 2023 and 2022 and the total assets and total liabilities information as at 31 December 2023 and 2022 regarding the Group's operating segments:

Year ended 31 December 2023/As at 31 December 2023

	Solid waste treatment RMB'000	Ecological construction services RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue (note 5)	1,611,798	322,700	–	1,934,498
Cost of sales	(1,042,546)	(285,447)	–	(1,327,993)
Gross profit	569,252	37,253	–	606,505
Profit/(loss) from operating activities	455,390	5,078	(38,293)	422,175
Finance costs	(122,064)	(2,927)	(41,207)	(166,198)
Profit/(loss) before tax	333,326	2,151	(79,500)	255,977
Income tax	(53,616)	(281)	(1)	(53,898)
Profit/(loss) for the year	279,710	1,870	(79,501)	202,079
Segment profit/(loss) attributable to shareholders of the Company	269,309	1,332	(79,687)	190,954
Segment assets	9,231,909	468,906	196,347	9,897,162
Segment liabilities	3,298,714	407,201	2,534,887	6,240,802
Other segment information:				
Interest income	18,705	748	2,645	22,098
Impairment of segment assets, net	42,164	–	–	42,164
Depreciation of property, plant and equipment	47,870	10,403	42	58,315
Depreciation of right-of-use assets	8,742	4,849	–	13,591
Amortisation of operating concessions	164,924	–	–	164,924
Amortisation of other intangible assets	3,084	34	11	3,129
Capital expenditure*	200,023	13,079	15,753	228,855

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Year ended 31 December 2022/As at 31 December 2022 (restated)

	Solid waste treatment RMB'000	Ecological construction services RMB'000	Corporate and others RMB'000	Total RMB'000
Segment revenue (note 5)	2,011,989	193,367	–	2,205,356
Cost of sales	(1,318,451)	(210,965)	–	(1,529,416)
Gross profit/(loss)	693,538	(17,598)	–	675,940
Profit/(loss) from operating activities	570,234	(40,537)	(38,455)	491,242
Finance costs	(99,277)	(2,650)	(39,376)	(141,303)
Profit/(loss) before tax	470,957	(43,187)	(77,831)	349,939
Income tax	(68,097)	(270)	(11)	(68,378)
Profit/(loss) for the year	402,860	(43,457)	(77,842)	281,561
Segment profit/(loss) attributable to shareholders of the Company	403,702	(21,915)	(78,032)	303,755
Segment assets	9,868,073	458,643	244,329	10,571,045
Segment liabilities	4,338,262	356,387	2,436,177	7,130,826
Other segment information:				
Interest income	9,851	314	3,487	13,652
Impairment of segment assets, net	82,737	302	–	83,039
Depreciation of property, plant and equipment	55,764	1,723	37	57,524
Depreciation of right-of-use assets	8,742	4,849	–	13,591
Amortisation of operating concessions	132,943	–	–	132,943
Amortisation of other intangible assets	2,220	34	9	2,263
Investment in a joint venture	5,854	–	–	5,854
Capital expenditure*	578,108	912	822	579,842

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets, operating concessions and other intangible assets.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

4. OPERATING SEGMENT INFORMATION *(CONTINUED)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Chinese Mainland and over 90% of the non-current assets (other than financial assets and deferred tax assets) of the Group are located in Chinese Mainland. Accordingly, in the opinion of the directors of the Company, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

Information about a major customer

During the year, the revenue generated from sales to an external customer of the solid waste treatment segment, which accounted for 10% or more of the Group's total revenue, amounted to RMB219,941,000 (2022: RMB290,754,000, restated).

5. REVENUE

An analysis of the Group's revenue is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Household waste treatment service income*	**294,577**	277,853
Hazardous and medical waste treatment service income	**20,176**	27,032
Food waste, leachate, sludge and other treatments service income	**125,648**	87,991
Sales of electricity	**680,238**	695,547
Sales of steam	**14,782**	16,783
Waste incineration plant construction and related service income*	**443,601**	740,948
Sale of equipment	**32,776**	165,835
Ecological construction and related service income	**322,700**	193,367
	1,934,498	2,205,356

* Imputed interest income under service concession arrangements during the year amounting to RMB119,940,000 (2022: RMB102,612,000, restated) was included in the revenue derived from household waste treatment services and waste incineration plant construction and related services.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

5. REVENUE *(CONTINUED)*

(a) Disaggregated revenue information

Year ended 31 December 2023

Segment	Solid waste treatment RMB'000	Ecological construction services RMB'000	Total RMB'000
Types of goods or services			
Household waste treatment services	**182,363**	**–**	**182,363**
Hazardous and medical waste treatment services	**20,176**	**–**	**20,176**
Food waste, leachate, sludge and other treatments services	**125,648**	**–**	**125,648**
Electricity	**680,238**	**–**	**680,238**
Steam	**14,782**	**–**	**14,782**
Waste incineration plant construction and related services	**435,875**	**–**	**435,875**
Equipment	**32,776**	**–**	**32,776**
Ecological construction services	**–**	**317,630**	**317,630**
Ecological design services	**–**	**5,070**	**5,070**
Total revenue from contracts with customers	**1,491,858**	**322,700**	**1,814,558**
Revenue from another source:			
Imputed interest income	**119,940**	**–**	**119,940**
Total revenue	**1,611,798**	**322,700**	**1,934,498**
Geographical markets			
Total revenue from contracts with customers in Chinese Mainland	**1,491,858**	**322,700**	**1,814,558**
Revenue from another source:			
Imputed interest income	**119,940**	**–**	**119,940**
Total revenue	**1,611,798**	**322,700**	**1,934,498**
Timing of revenue recognition			
Goods and services transferred at a point in time	**1,055,983**	**5,070**	**1,061,053**
Services transferred over time	**435,875**	**317,630**	**753,505**
Total revenue from contracts with customers	**1,491,858**	**322,700**	**1,814,558**
Revenue from another source:			
Imputed interest income	**119,940**	**–**	**119,940**
Total revenue	**1,611,798**	**322,700**	**1,934,498**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

5. REVENUE *(CONTINUED)*

(a) Disaggregated revenue information *(continued)*

Year ended 31 December 2022 (restated)

Segment	Solid waste treatment RMB'000	Ecological construction services RMB'000	Total RMB'000
Types of goods or services			
Household waste treatment services	190,952	–	190,952
Hazardous and medical waste treatment services	27,032	–	27,032
Food waste, leachate, sludge and other treatments services	87,991	–	87,991
Electricity	695,547	–	695,547
Steam	16,783	–	16,783
Waste incineration plant construction and related services	725,237	–	725,237
Equipment	165,835	–	165,835
Ecological construction services	–	180,818	180,818
Ecological design services	–	12,549	12,549
Total revenue from contracts with customers	1,909,377	193,367	2,102,744
Revenue from another source:			
Imputed interest income	102,612	–	102,612
Total revenue	2,011,989	193,367	2,205,356
Geographical markets			
Total revenue from contracts with customers in Chinese Mainland	1,909,377	193,367	2,102,744
Revenue from another source:			
Imputed interest income	102,612	–	102,612
Total revenue	2,011,989	193,367	2,205,356
Timing of revenue recognition			
Goods and services transferred at a point in time	1,184,140	12,549	1,196,689
Services transferred over time	725,237	180,818	906,055
Total revenue from contracts with customers	1,909,377	193,367	2,102,744
Revenue from another source:			
Imputed interest income	102,612	–	102,612
Total revenue	2,011,989	193,367	2,205,356

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

5. REVENUE *(CONTINUED)*

(b) Performance obligations

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

(i) Waste and other treatments

The performance obligations of waste treatment, leachate, sludge and other treatments services are satisfied at the point in time.

(ii) Sale of electricity and steam and equipment

The performance obligation is satisfied when control of the asset is transferred to the customer, generally when the customer obtains the physical possession or the legal title of the electricity, steam and/or equipment and the Group has the present right to payment and the collection of the consideration is probable.

(iii) Construction services

The performance obligation is satisfied 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 waste incineration plant and ecological construction services.

(iv) The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) with an original expected duration of one year or more as at the end of the reporting period are as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Amounts expected to be recognised as revenue:		
Within one year	**448,054**	544,984
After one year	**–**	593,445
Total (note)	**448,054**	1,138,429

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to waste incineration plant construction services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

Note: The Group has applied the practical expedient in HKFRS 15 for not disclosing the remaining performance obligations of the Group's existing household waste treatment service contracts as the Group recognises revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to consideration from a customer that corresponds directly with the value to the customer of the entity's performance completed to date. For all other contracts in which the performance obligations are expected to be recognised as revenue with an original expected duration of one year or less, the transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

6. OTHER INCOME AND GAINS, NET

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Value added tax refund	**57,873**	50,850
Interest income	**22,098**	13,652
Government grants*	**9,548**	12,257
Carbon emissions quota trading income	**1,915**	5,604
Others	**1,956**	5,416
	93,390	87,779

* The government grants recognised by the Group during the year represented subsidies received from certain government authorities as incentives to promote energy saving technologies in the local provinces.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Cost of raw materials consumed		**55,049**	64,601
Cost of waste treatment services rendered[1]		**369,651**	329,894
Cost of waste incineration plant construction services		**394,397**	606,520
Cost of ecological construction and related services		**285,447**	210,965
Cost of goods sold		**24,583**	129,791
Employee benefit expense (including directors' remuneration – note 9):			
Wages and salaries		**274,678**	246,172
Pension scheme contributions (defined contribution scheme)[2]		**23,540**	20,681
		298,218	266,853
Less: Amount capitalised		**(5,470)**	(9,278)
		292,748	257,575
Depreciation of property, plant and equipment[3]	13	**58,315**	57,524
Depreciation of right-of-use assets[4]	14(a)	**13,591**	13,591
Lease payments not included in the measurement of lease liabilities	14(c)	**6,675**	4,826
Amortisation of operating concessions[5]	16	**164,924**	132,943
Amortisation of other intangible assets[5]	17	**3,129**	2,263
Provision for major overhauls[5]	27	**1,221**	986
Impairment of operating concessions[6]	16	**14,781**	73,435
Impairment of receivables under service concession arrangements, net	16	**22,377**	–
Impairment of trade and bills receivables, net[6]	21(c)	**5,006**	9,604
Loss on disposal of items of property, plant and equipment, net[6]		**44**	249
Auditor's remuneration		**2,574**	2,460
Foreign exchange differences, net[6]		**6,537**	7,359

1 The cost of waste treatment services rendered does not include the recognition of government subsidies of RMB4,909,000 (2022: RMB4,833,000, restated) on the straight-line basis over the expected useful lives of the relevant assets (note 28), which is included in "Cost of sales" in the consolidated statement of profit or loss.

2 There is no forfeited contribution that may be used by the Group as the employer to reduce the existing level of contributions.

3 Depreciation of property, plant and equipment in a total amount of RMB35,044,000 (2022: RMB55,966,000, restated) is included in "Cost of sales" in the consolidated statement of profit or loss.

4 Depreciation of right-of-use assets in a total amount of RMB746,000 (2022: RMB746,000, restated) is included in "Cost of sales" in the consolidated statement of profit or loss.

5 The amortisation of operating concessions and other intangible assets (excluding computer software amounting to RMB1,289,000 (2022: RMB429,000, restated) which is included in "Administrative expenses"), and the provision for major overhauls are included in "Cost of sales" in the consolidated statement of profit or loss.

6 These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Interest on bank and other borrowings		**164,397**	154,697
Interest on lease liabilities	14(b)	**1,321**	1,950
Total interest expenses		**165,718**	156,647
Less: Interest capitalised		**(93)**	(15,892)
		165,625	140,755
Other finance costs:			
Increase in discounted amounts of provision for major overhauls arising from the passage of time	27	**573**	548
		166,198	141,303

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (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:

	2023 RMB'000	2022 RMB'000 (Restated)
Fees	**783**	748
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	–
Pension scheme contributions	**–**	–
	–	–
	783	748

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

9. DIRECTORS' REMUNERATION *(CONTINUED)*

An analysis of directors' remuneration for the year is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2023				
Executive directors:				
Mr. Ke Jian	–	–	–	–
Ms. Sha Ning	–	–	–	–
Mr. Chen Xinguo	–	–	–	–
Mr. Yu Jie	–	–	–	–
Mr. Ng Kong Fat, Brian	**108**	–	–	**108**
	108	–	–	**108**
Independent non-executive directors:				
Dr. Jin Lizuo	**135**	–	–	**135**
Dr. Huan Guocang	**135**	–	–	**135**
Dr. Wang Jianping	**135**	–	–	**135**
Prof. Nie Yongfeng	**135**	–	–	**135**
Mr. Cheung Ming	**135**	–	–	**135**
	675	–	–	**675**
Total	**783**	–	–	**783**
Year ended 31 December 2022 (restated)				
Executive directors:				
Mr. Ke Jian	–	–	–	–
Ms. Sha Ning	–	–	–	–
Mr. Chen Xinguo	–	–	–	–
Mr. Yu Jie	–	–	–	–
Mr. Ng Kong Fat, Brian	103	–	–	103
	103	–	–	103
Independent non-executive directors:				
Dr. Jin Lizuo	129	–	–	129
Dr. Huan Guocang	129	–	–	129
Dr. Wang Jianping	129	–	–	129
Prof. Nie Yongfeng	129	–	–	129
Mr. Cheung Ming	129	–	–	129
	645	–	–	645
Total	748	–	–	748

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for each of the years ended 31 December 2023 and 2022 do not include any director. Details of the remuneration of the five (2022: five) non-director highest paid employees for the year are as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**5,975**	4,950
Pension scheme contributions	**273**	251
	6,248	5,201

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

	Number of employees	
	2023	2022
HK$1,000,001 to HK$1,500,000	**4**	5
HK$1,500,001 to HK$2,000,000	**1**	–
	5	5

11. INCOME TAX

An analysis of the Group's income tax is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
Current – Chinese Mainland		
Charge for the year	**98,751**	64,406
Underprovision/(overprovision) in prior years	**4,642**	(8,069)
	103,393	56,337
Deferred (note 29)	**(49,495)**	12,041
Total tax charge for the year	**53,898**	68,378

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

11. INCOME TAX *(CONTINUED)*

(a) No provision for Hong Kong profits tax has been made for the years ended 31 December 2023 and 2022 as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

In accordance with the relevant tax laws of the PRC, certain subsidiaries of the Group which are engaged in the solid waste treatment business are exempted from corporate income tax for three years starting from the first year they generate revenue and enjoy a 50% tax reduction for the ensuing three years.

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

	2023		2022	
	RMB'000	**%**	RMB'000 (Restated)	%
Profit before tax	**255,977**		349,939	
Tax at the statutory tax rate	**65,086**	**25.4**	89,055	25.4
Effect of withholding tax on interest income from intercompany loans and rental income from a lessee in the PRC	**2,347**	**0.9**	1,039	0.3
Tax concession enjoyed	**(33,707)**	**(13.1)**	(34,568)	(9.9)
Adjustments in respect of current tax of previous periods	**4,642**	**1.8**	(8,069)	(2.3)
Income not subject to tax	**(3,317)**	**(1.3)**	(298)	(0.1)
Expenses not deductible for tax	**14,066**	**5.5**	18,407	5.3
Tax losses not recognised	**6,872**	**2.7**	6,787	1.9
Tax losses utilised from previous periods	**(2,091)**	**(0.8)**	(3,975)	(1.1)
Tax charge at the Group's effective tax rate	**53,898**	**21.1**	68,378	19.5

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount for the year ended 31 December 2023 is based on the profit for the year attributable to shareholders of the Company of RMB190,954,000 (2022: RMB303,755,000, restated), and the 1,500,360,150 (2022: 1,500,360,150) ordinary shares in issue during the year.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023 (restated):							
Cost	441,588	52,159	701,970	21,074	23,255	46,540	1,286,586
Accumulated depreciation and impairment	(77,941)	(25,137)	(272,188)	(13,661)	(15,625)	–	(404,552)
Net carrying amount	363,647	27,022	429,782	7,413	7,630	46,540	882,034
Net carrying amount:							
At 1 January 2023 (restated)	363,647	27,022	429,782	7,413	7,630	46,540	882,034
Additions	198	12,438	8,416	11,197	766	31,144	64,159
Depreciation provided during the year	(13,190)	(18,196)	(24,338)	(2,070)	(521)	–	(58,315)
Transfer from construction in progress	77,684	–	–	–	–	(77,684)	–
Disposals	(24,058)	–	(100)	(18)	(1,328)	–	(25,504)
Transfer to non-current assets held for disposal (note)	(92,448)	–	(208,259)	(1,181)	(285)	–	(302,173)
At 31 December 2023	311,833	21,264	205,501	15,341	6,262	–	560,201
At 31 December 2023:							
Cost	366,362	64,597	370,677	29,924	22,086	–	853,646
Accumulated depreciation and impairment	(54,529)	(43,333)	(165,176)	(14,583)	(15,824)	–	(293,445)
Net carrying amount	311,833	21,264	205,501	15,341	6,262	–	560,201

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

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

	Buildings RMB'000	Leasehold improve-ments RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022 (restated)							
At 1 January 2022:							
Cost	440,835	47,453	693,788	18,730	23,035	24,010	1,247,851
Accumulated depreciation and impairment	(59,621)	(23,365)	(239,547)	(11,145)	(13,350)	–	(347,028)
Net carrying amount	381,214	24,088	454,241	7,585	9,685	24,010	900,823
Net carrying amount:							
At 1 January 2022	381,214	24,088	454,241	7,585	9,685	24,010	900,823
Additions	753	5,259	8,186	2,451	1,211	22,530	40,390
Depreciation provided during the year	(18,320)	(1,772)	(32,641)	(2,516)	(2,275)	–	(57,524)
Disposals	–	(553)	(4)	(107)	(991)	–	(1,655)
At 31 December 2022	363,647	27,022	429,782	7,413	7,630	46,540	882,034
At 31 December 2022:							
Cost	441,588	52,159	701,970	21,074	23,255	46,540	1,286,586
Accumulated depreciation and impairment	(77,941)	(25,137)	(272,188)	(13,661)	(15,625)	–	(404,552)
Net carrying amount	363,647	27,022	429,782	7,413	7,630	46,540	882,034

Note: In July 2019, the Group entered into a supplementary agreement with a local government authority, pursuant to which the existing solid waste incineration plant of Beikong Zhangjiagang (the "Existing Plant", which was operated under a BOO basis with a concession period of 30 years up to 2038) shall be transferred to the government authority upon the completion of final acceptance of construction of a new solid waste incineration plant of Beikong Zhangjiagang (the "New Plant", which is operated under a BOT basis with a concession period of 30 years up to 2052).

During the year, the New Plant was completed and commenced its commercial operation, and the operation of the Existing Plant was suspended since then. The directors of the Company are of the opinion that the Group expected to transfer the title of the Existing Plant to the government authority by the end of year 2024 upon the completion of final acceptance of construction of the New Plant. Therefore, the property, plant and equipment related to the Existing Plant of RMB302,173,000 of Beikong Zhangjiagang was classified as non-current assets held for disposal as at 31 December 2023.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land and buildings, machinery, motor vehicles and other equipment used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of land and buildings generally have lease terms between 2 and 5 years. Machinery, motor vehicles and other equipment generally have lease terms of 12 months or less and/or are individually of low value and hence the leases of these assets are not recognised as right-of-use assets in accordance with the Group's accounting policy. Generally, the Group is restricted from assigning and sub-leasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Buildings RMB'000	**Leasehold land** RMB'000	**Total** RMB'000
At 1 January 2022 (restated)	9,697	28,919	38,616
Additions (restated)	39,982	–	39,982
Depreciation provided during the year (restated)	(12,845)	(746)	(13,591)
At 31 December 2022 and 1 January 2023 (restated)	**36,834**	**28,173**	**65,007**
Depreciation provided during the year	**(12,845)**	**(746)**	**(13,591)**
At 31 December 2023	**23,989**	**27,427**	**51,416**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

14. LEASES *(CONTINUED)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities (included under "Other payables and accruals" – note 31) and the movements during the year are as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
At 1 January	**36,984**	12,284
New leases	**–**	39,982
Accretion of interest recognised during the year	**1,321**	1,950
Payments	**(15,496)**	(17,232)
At 31 December (Note 31)	**22,809**	36,984
Portion classified as current liabilities	**(5,864)**	(12,037)
Non-current portion	**16,945**	24,947

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

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Interest on lease liabilities	**1,321**	1,950
Depreciation of right-of-use assets	**13,591**	13,591
Expense relating to short-term leases	**3,578**	3,417
Expense relating to leases of low-value assets	**3,097**	1,409
Total amount recognised in profit or loss	**21,587**	20,367

(d) The total cash outflow for leases included in the consolidated statement of cash flows is disclosed in note 33(c) to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

15. GOODWILL

	2023	2022
	RMB'000	RMB'000
		(Restated)
Cost and net carrying amount:		
At 1 January	**987,845**	920,492
Exchange realignment	**22,451**	67,353
At 31 December	**1,010,296**	987,845

Impairment testing of goodwill

The carrying amount of the goodwill acquired through the acquisition of subsidiaries has been allocated to the solid waste treatment segment of the Group for impairment testing.

The recoverable amount of the solid waste treatment segment has been determined based on a value-in-use calculation using cash flow projections based on financial forecasts of the cash-generating units approved by senior management covering the service concession periods and based on the assumption that sizes of the operations remain constant perpetually. The post-tax discount rate applied to the cash flow projections was 8% (2022: 9%). The growth rate used to extrapolate the cash flows beyond the service concession periods was 2.5% (2022: 3%).

Based on the results of the impairment testing of goodwill, in the opinion of the directors of the Company, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2023 (2022: Nil).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

15. GOODWILL *(CONTINUED)*

Impairment testing of goodwill *(continued)*

Key assumptions used in assessing the value in use

Assumptions were used in the value-in-use calculation of the solid waste treatment segment for 31 December 2023 and 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Budgeted turnover: It is based on the projected solid waste treatment volume and the latest solid waste treatment and electricity selling prices up to the date of the forecast.

- Budgeted gross margins: The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

- Business environment: There have been no major changes in the existing political, legal and economic conditions in Chinese Mainland. Under the service concession arrangements, the Group has been granted with priority for renewal of operating rights of its solid waste incineration plants. Given its performance record and its relationship with the grantors, the Group has key advantages over other operators. In addition, the high investment cost has also created an entry barrier for new competitors. Therefore, in the opinion of the directors of the Company, the operating rights of solid waste incineration plants shall be renewed upon expiry, and therefore, the size of the solid waste treatment operation is expected to remain constant perpetually, which enables the Group to generate income perpetually.

- Discount rates: The discount rates used are after tax and reflect specific risks relating to the relevant business units. The pre-tax discount rate implied in the cash flow projections is 9% for the relevant business units (2022: 10%).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

16. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into service concession arrangements with governmental authorities in Chinese Mainland on a Build-Operate-Transfer ("BOT") basis in respect of the construction and operation of solid waste incineration plants. These service concession arrangements involve the Group as an operator in (i) constructing the incineration plants (the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 15 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the Service Concession Periods at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facilities, but the relevant governmental authorities as grantors retain the beneficial entitlement to any residual interest in the Facilities at the end of the term of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the relevant subsidiaries and the relevant governmental authority in Chinese Mainland that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

Details of the major terms of the Group's service concession arrangements are set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (tonnes/day)	Service concession period
Changde Zhonglian	Hunan	常德市環境衛生管理處	BOT	Phase II: 600 Phase III: 600	25 years from 2019 to 2044 27 years from 2020 to 2047
Beikong Lvhaineng	Beijing	北京市海澱區市政市容管理委員會	BOT	2,100	30 years from 2018 to 2048
Beijing Gaoantun	Beijing	北京市朝陽區市政市容管理委員會	BOT	1,600	30 years from 2005 to 2034
Ha'erbin Shuangqi	Heilongjiang	哈爾濱市城市管理局	BOT	Phase I: 400 Phase II: 1,200	30 years from 2013 to 2043 30 years from 2013 to 2043
Beikong Shuyang	Jiangsu	江蘇省沭陽縣人民政府	BOT	Phase I: 600 Phase II: 600	30 years from 2015 to 2045 30 years from 2018 to 2048

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

16. SERVICE CONCESSION ARRANGEMENTS *(CONTINUED)*

Details of the major terms of the Group's service concession arrangements are set out as follows: *(continued)*

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity (tonnes/day)	Service concession period
Beikong Wenchang	Hainan	海南省文昌市人民政府	BOT	225	15 years from 2012 to 2027
Hunan Hengxing	Hunan	湖南省環境保護廳	BOT	96	25 years from 2017 to 2042
Beikong Zhangjiagang	Jiangsu	張家港市靜脈科技產業園管理委員會	BOT	2,250	30 years from 2021 to 2052
Beikong Jining	Shandong	濟寧市兗州區綜合行政執法局	BOT	1,500	30 years from 2020 to 2049
Shiyan Beikong	Hubei	十堰市城市管理執法委員會	BOT	600	28 years from 2023 to 2051

Pursuant to the service concession agreements, the Group is granted the rights to use the land and the property, plant and equipment of the Facilities, which are generally registered under the name of the relevant subsidiaries of the Group, during the Service Concession Periods, but the Group is generally required to return the property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods under the BOT arrangements. At 31 December 2023, the Group was in the process of applying for the change of registration of the title certificates with respect to the land use right and the buildings of several Facilities to which the Group's service concession arrangements relate. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these buildings and land and that the Group would not have any legal barriers in obtaining the title certificates.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

16. SERVICE CONCESSION ARRANGEMENTS *(CONTINUED)*

Moreover, the Group was in the process of applying for the completion of final acceptance and certain permits of the Facilities from the relevant government authorities up to the date of approval of these financial statements. The directors and the legal advisor of the Company are of the opinion that the Group is legitimated to operate the Facilities and that the Group would not have any legal barriers which prevent it from obtaining the relevant permits and it is unlikely for the Group to incur any extra costs or administrative sanctions in respect of the matters.

As further explained in the accounting policy for "Service concession arrangements" set out in note 2.4 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession), a financial asset (receivable under service concession arrangements) or a combination of an intangible asset and a financial asset, as appropriate.

Operating concessions

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January:		
Cost	**3,710,743**	3,211,838
Accumulated amortisation and impairment	**(959,112)**	(752,734)
Net carrying amount	**2,751,631**	2,459,104
Net carrying amount:		
At 1 January	**2,751,631**	2,459,104
Additions	**148,167**	498,905
Amortisation provided during the year	**(164,924)**	(132,943)
Impairment provided during the year (notes (a) and (b))	**(14,781)**	(73,435)
At 31 December	**2,720,093**	2,751,631
At 31 December:		
Cost	**3,858,910**	3,710,743
Accumulated amortisation and impairment	**(1,138,817)**	(959,112)
Net carrying amount	**2,720,093**	2,751,631

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

16. SERVICE CONCESSION ARRANGEMENTS *(CONTINUED)*

Operating concessions *(continued)*

Notes:

(a) During the year ended 31 December 2021, the Group's hazardous waste treatment plant of Hunan Hengxing has temporarily reduced the volume of medical waste treatment and suspended the hazardous waste treatment operations due to pollution caused to the surrounding environment and the existence of residents in the protection area of the hazardous waste treatment plant boundary. In the opinion of the directors of the Company, the waste treatment volume of the plant will be gradually resumed after 5 years upon carrying out certain restoration works, the decrease in waste treatment volume of the plant indicated that the related assets of the service concession arrangement, with a net carrying amount of RMB182,794,000 as at 31 December 2021, might have been impaired. In this regard, management appointed an independent professional valuer to estimate the recoverable amount of the related non-current assets based on a value-in-use calculation using cash flow projections based on financial forecasts covering the service concession period approved by senior management. The pre-tax discount rate applied to the cash flow projections was 10.0%. Based on the results of the impairment assessment, the recoverable amount of the Hunan Hengxing project was estimated to be approximately RMB81,638,000, and impairment losses of RMB95,936,000 and RMB5,220,000 were recognised against the operating concession and other intangible assets during the year ended 31 December 2021, respectively.

During the year ended 31 December 2022, based on the latest waste treatment volume of the plant and the feasibility of completion of the relevant restoration works, the directors of the Company considered that the related assets of the service concession arrangement might have been further impaired and updated the impairment assessment. The pre-tax discount rate applied to the revised cash flow projections was 10%. Based on the results of the impairment assessment, the recoverable amount of the Hunan Hengxing project was estimated to be approximately RMB22,387,000, and additional impairment loss of RMB73,435,000 was recognised against the operating concession during the year ended 31 December 2022.

(b) In 2019, a portion of the assets of the solid waste incineration plant of Changde Zhonglian had been phased out in order to meet the new measures on environmental protection and emission imposed by the PRC government. According to the terms of the service concession agreement and after negotiation with the local government authority, the losses to be suffered by the Group relating to assets to be dismantled would be borne by the Group, while the Group would be compensated by the local government for those assets that can be continued to be used in other phases of the same project. During the year, based on the valuation results as prepared by Vocation (Beijing) International Asset Valuation Co., Ltd. which was jointly engaged by Changde Zhonglian and the local government authority, a total impairment of RMB55,299,000 should be provided on the plant assets. Impairment of RMB40,518,000 had been provided by the Group in prior years and an additional impairment of RMB14,781,000 has been recognised by the Group during the year. The Group is currently finalising the details of the compensation arrangement with the local government.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

16. SERVICE CONCESSION ARRANGEMENTS *(CONTINUED)*

Receivables under service concession arrangements

	2023 RMB'000	2022 RMB'000 (Restated)
Receivables under service concession arrangements	**2,432,869**	2,292,671
Current portion	**(83,674)**	(78,428)
Non-current portion	**2,349,195**	2,214,243

Details of contract assets which are presented as operating concessions and receivables under service concession arrangements are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Operating concessions	**51,855**	1,300,855	881,925
Receivables under service concession arrangements	**14,451**	668,549	435,004
	66,306	1,969,404	1,316,929

Contract assets are initially recognised for revenue earned from the provision of construction services for the infrastructures during the period of construction under the service concession arrangements. Pursuant to the service concession agreements, the Group receives no payment from the grantors during the construction period and receives service fees when the relevant solid waste treatment services are rendered. The receivables under service concession arrangements (including the contract assets therein) are not yet due for payment and will be settled by service fees to be received during the operating periods of the service concession arrangements. Amounts billed will then be transferred to trade receivables (note 21). The decrease in contract assets in 2023 was the result of completion of construction of certain solid waste incineration plants of the Group during the year. The increase in contract assets in 2022 was the result of continuing construction of certain solid waste incineration plants of the Group during that year. The Group's exposure to credit risk is insignificant and the directors of the Company are of the opinion that the ECL of the contract assets is minimal. The Group's trading terms and credit policy with customers are disclosed in note 21(a) to the financial statements.

Certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of RMB2,395,699,000 (2022: RMB2,259,892,000, restated), which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors, are mortgaged for the Group's bank loans (note 26(c)).

During the year, the pollution discharge permit of the solid waste incineration plant of Wenchang has been expired and failed to be renewed under the current measures on environmental protection and emission imposed by the PRC government, therefore, the plant's operation has been suspended since then and the Group has provided an impairment on the remaining receivables under service concession arrangements of RMB22,377,000.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

17. OTHER INTANGIBLE ASSETS

	Operating rights RMB'000	Licences RMB'000	Computer software RMB'000	Total RMB'000
31 December 2023				
At 1 January 2023 (restated):				
Cost	**106,636**	**22,000**	**3,655**	**132,291**
Accumulated amortisation and impairment	**(76,507)**	**(16,333)**	**(1,949)**	**(94,789)**
Net carrying amount	**30,129**	**5,667**	**1,706**	**37,502**
Net carrying amount:				
At 1 January 2023 (restated)	**30,129**	**5,667**	**1,706**	**37,502**
Additions	**–**	**–**	**16,529**	**16,529**
Amortisation provided during the year	**(1,435)**	**(400)**	**(1,294)**	**(3,129)**
At 31 December 2023	**28,694**	**5,267**	**16,941**	**50,902**
At 31 December 2023:				
Cost	**106,636**	**22,000**	**20,184**	**148,820**
Accumulated amortisation and impairment	**(77,942)**	**(16,733)**	**(3,243)**	**(97,918)**
Net carrying amount	**28,694**	**5,267**	**16,941**	**50,902**
31 December 2022 (restated)				
At 1 January 2022:				
Cost	106,636	22,000	3,090	131,726
Accumulated amortisation and impairment	(75,073)	(15,933)	(1,520)	(92,526)
Net carrying amount	31,563	6,067	1,570	39,200
Net carrying amount:				
At 1 January 2022	31,563	6,067	1,570	39,200
Additions	–	–	565	565
Amortisation provided during the year	(1,434)	(400)	(429)	(2,263)
At 31 December 2022	30,129	5,667	1,706	37,502
At 31 December 2022:				
Cost	106,636	22,000	3,655	132,291
Accumulated amortisation and impairment	(76,507)	(16,333)	(1,949)	(94,789)
Net carrying amount	30,129	5,667	1,706	37,502

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

17. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Note: Certain subsidiaries acquired by the Group were under service concession arrangements with governmental authorities in Chinese Mainland on a BOO basis for the construction and operation of solid waste incineration plants. The costs of operating rights represent their fair values under the BOO arrangements acquired by the Group in prior years. Details of the major terms of the BOO arrangements are set out as follows:

Name of company as operator	**Location**	**Type of service concession arrangement**	**Practical processing capacity** (tonnes/day)	**Service concession period**
Taian Beikong	Shandong	BOO	Phase I: 800	30 years from 2008 to 2038
			Phase II: 1,200	Not yet finalised
Beikong Zhangjiagang	Jiangsu	BOO	Phase I: 600	30 years from 2008 to 2038
			Phase II: 300	30 years from 2014 to 2044

18. INVESTMENT IN A JOINT VENTURE

	2023 RMB'000	2022 RMB'000 (Restated)
Share of net assets	–	5,854

Particulars of the Group's joint venture, which was indirectly held by the Company, are as follows:

Company name	Place of incorporation and business	Issued and paid-up capital	Percentage of: Ownership interest	Voting power	Profit sharing	Principal activities
Beijing Enterprises SITA Environmental Services Company Limited	Hong Kong	HK$10,000,000	60	50	60	Provision of consultancy services and technical support on environmental protection

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

19. CONTRACT ASSETS

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Contract assets arising from:			
Waste incineration plant construction services	**147,915**	1,979,319	1,336,715
Ecological construction services	**290,211**	252,585	242,029
Total contract assets	**438,126**	2,231,904	1,578,744
Non-current portion classified in operating concessions and receivables under service concession arrangements (note 16)	**(66,306)**	(1,969,404)	(1,316,929)
Current portion	**371,820**	262,500	261,815

Contract assets are initially recognised for revenue earned from the provision of construction of waste incineration plant services and ecological construction services as the receipt of consideration is conditional or successful completion of construction. All contract assets classified as current assets as at 31 December are expected to be recovered or settled within one year. The decrease in contract assets in 2023 was the result of completion of construction of certain solid waste incineration plants of the Group during the year. The increase in contract assets in 2022 was the result of continuing construction of certain solid waste incineration plants of the Group during that year. The Group's exposure to credit risk is insignificant and the directors of the Company are of the opinion that the ECLs for the contract assets are minimal.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

20. INVENTORIES

	2023 RMB'000	2022 RMB'000 (Restated)
Raw materials – coal and consumables	**42,988**	42,085

21. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000 (Restated)
Trade receivables	**731,086**	580,048
Bills receivable	**2,776**	20
	733,862	580,068
Impairment (note (c))	**(26,602)**	(21,729)
	707,260	558,339

Notes:

(a) Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to three months. An ageing analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

21. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(b) An ageing analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Billed:		
Within 3 months	**160,675**	121,169
4 to 6 months	**73,500**	44,058
7 to 12 months	**32,388**	61,590
1 to 2 years	**53,235**	63,865
2 to 3 years	**55,940**	2,847
Over 3 years	**6,731**	5,063
	382,469	298,592
Unbilled*	**324,791**	259,747
	707,260	558,339

* The unbilled balance represents entitlements to renewable energy tariff subsidies from the sale of electricity.

(c) The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
At 1 January	**21,729**	12,125
Impairment losses provided during the year, net	**5,006**	9,604
Amount written off as uncollectible	**(133)**	–
At 31 December	**26,602**	21,729

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

21. TRADE AND BILLS RECEIVABLES *(CONTINUED)*

Notes: *(continued)*

(d) An impairment analysis is performed for the Group's trade and bills receivables at the end of each reporting period, using an ECL model which measures ECLs of trade and bills receivables based on ECL rates estimated by the Group for different groups of customers. The ECL rates used for a particular group of customers are estimated with reference to the ageing of the receivables, the credit rating, probabilities of default and loss given default rate of that customer group. 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.

Set out below is a summarised information about the credit risk exposure on the Group's trade and bills receivables, by aggregating customer groups into three different tiers based on their settlement patterns and economic status of their geographical locations:

	Gross carrying amount RMB'000	**ECLs** RMB'000	**Effective ECL rate** %	**Probability of default rates applied** %	**Loss given default rates applied** %
At 31 December 2023					
Tier 1	**285,067**	**631**	**0.22**	**0.21 to 0.40**	**59.1 to 64.9**
Tier 2	**95,149**	**3,375**	**3.55**	**1.69 to 3.25**	**59.1 to 63.6**
Tier 3*	**353,646**	**22,596**	**6.39**	**18.74 to 100**	**59.1 to 100**
	733,862	**26,602**	**3.62**	**0.21 to 100**	**59.1 to 100**
At 31 December 2022 (restated)					
Tier 1	157,375	631	0.40	0.03 to 3.45	56.8 to 64.9
Tier 2	229,169	3,375	1.47	0.07 to 3.45	56.8 to 63
Tier 3*	193,524	17,723	9.16	20.03 to 100	56.8 to 100
	580,068	21,729	3.75	0.03 to 100	56.8 to 100

* Included impairment losses of RMB15,996,000 (2022: RMB11,123,000, restated) in total recognised as at 31 December 2023 in respect of specific customers as there was no reasonable expectation for recovering the trade receivables from them.

(e) At 31 December 2023, certain trade receivables of RMB1,093,000 (2022: Nil) arising from the provision of solid waste treatment services were pledged to secure a bank loan granted to the Group (note 26(c)).

(f) Included in the Group's trade and bills receivables is an amount of RMB616,000 (2022: Nil) due from a non-controlling equity holder of a subsidiary, arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and receivable on credit terms.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Prepayments		**46,034**	20,058
Deposits and other receivables	(a)	**187,756**	164,369
Due from fellow subsidiaries	(b)	**47,182**	72,948
Due from non-controlling equity holders of subsidiaries	(b)	**1,598**	8,391
		282,570	265,766
Impairment	(c)	**(5,041)**	(5,041)
		277,529	260,725
Current portion		**(276,973)**	(260,337)
Non-current portion		**556**	388

Notes:

(a) Deposits and other receivables mainly represent value added tax recoverable and deposits with suppliers.

(b) The balances with fellow subsidiaries and non-controlling equity holders of subsidiaries are unsecured, interest-free and repayable on demand.

(c) The movements in the loss allowance for impairment of deposits and other receivables during the year is as follows:

	2023 RMB'000	2022 RMB'000 (Restated)
At 1 January and 31 December	**5,041**	5,041

Other than those other receivables for which impairment losses have been provided, none of the above assets is either past due or impaired and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Notes	**2023 RMB'000**	2022 RMB'000 (Restated)
Cash and bank balances other than time deposits:			
Placed in banks		**1,176,189**	2,288,870
Placed in a financial institution	(c)	**11,794**	16,930
		1,187,983	2,305,800
Time deposits, placed in banks		**21,957**	68,337
		1,209,940	2,374,137
Less: Pledged deposits	(d)	**–**	(483)
Cash and cash equivalents		**1,209,940**	2,373,654

Notes:

(a) At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB1,047,434,000 (2022: RMB2,143,371,000, restated). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

(c) At 31 December 2023, RMB11,794,000 (2022: RMB16,930,000, restated) was placed by the Group in 北京控股集團財務有限公司 ("BG Finance", a non-wholly-owned subsidiary of BEGCL and a fellow subsidiary of the Company), which is an authorised financial institution registered under the China Banking Regulatory Commission (note 36(a)(iii)).

(d) At 31 December 2022, security deposits of RMB483,000 (restated) were pledged to the government authorities and a customer for the provision of construction and related services.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

24. SHARE CAPITAL

	2023		2022	
	Equivalent to		Equivalent to	
	HK$'000	**RMB'000**	HK$'000	RMB'000
Issued and fully paid:				
1,500,360,150 ordinary shares	**2,227,564**	**1,972,895**	2,227,564	1,972,895

25. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investments as applicable to the Group's PRC subsidiaries. None of the Group's PRC reserve funds as at 31 December 2023 was distributable in the form of cash dividends (2022: Nil).

26. BANK AND OTHER BORROWINGS

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
Bank loans			
Unsecured	(b)	**40,538**	19,959
Secured	(c)	**1,319,490**	1,664,259
		1,360,028	1,684,218
Other loans – unsecured			
The immediate holding company	(d)	**2,423,970**	2,370,104
Fellow subsidiaries	(e)	**612,549**	1,505,697
Others	(f)	**39,200**	39,200
		3,075,719	3,915,001
Total bank and other borrowings		**4,435,747**	5,599,219
Portion classified as current liabilities		**(2,714,238)**	(247,496)
Non-current portion		**1,721,509**	5,351,723

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

26. BANK AND OTHER BORROWINGS *(CONTINUED)*

Notes:

(a) At 31 December 2023 and 2022, except for the loan from Idata, the immediate holding company, which is denominated in Hong Kong dollars, the Group's bank and other borrowings are all denominated in RMB.

(b) At 31 December 2023, the Group's unsecured bank loans bear interest at rates ranging from one-year Loan Prime Rate (the "LPR") promulgated by the People's Bank of China less 35 to plus 35 basis points (2022: ranging from one-year LPR less 35 to plus 35 basis points) and are repayable by installments up to 2026 (2022: up to 2026).

(c) At 31 December 2023, the Group's secured bank loans bear interest at rates ranging from five-year or above LPR less 87 basis points to one-year LPR plus 35 basis points (2022: ranging from five-year or above LPR less 58.3 to 87 basis points) and are repayable by installments up to 2034 (2022: up to 2026). The loans are secured by mortgage over (i) certain solid waste treatment concession rights of the Group, which comprises operating concessions and receivables under service concession arrangements with an aggregate net carrying amount of RMB2,395,699,000 (2022: RMB2,259,892,000, restated), which are managed by the Group pursuant to the relevant service concession arrangements signed with the grantors (note 16); and (ii) trade receivables of RMB1,093,000 (2022: Nil) arising from the provision of solid waste treatment services (note 21(e)).

(d) At 31 December 2023, the loan advanced from Idata bears interest at 1.7% per annum and is repayable in December 2024.

(e) At 31 December 2023, the loans advanced from BG Finance, a fellow subsidiary, in the aggregate principal amount of RMB612,549,000 which bear interest at rates ranging from one-year LPR less 25 basis points to five-year or above LPR less 4.4 basis points and are repayable by installments up to 2035.

At 31 December 2022, the loans advanced from fellow subsidiaries comprised: (i) loans advanced from BG Finance in the aggregate principal amount of RMB705,697,000 (restated) which bear interest at rates ranging from one-year LPR plus 30 basis points to five-year or above LPR and are repayable by installments up to 2035; and (ii) the loan advanced from 北京控股投資管理有限公司 ("BG Management") in the principal amount of RMB800,000,000 which bore interest at 3.85% per annum and was repayable in 2023.

(f) At 31 December 2023, the loans advanced from a non-controlling equity holder of a subsidiary in an aggregated amount of RMB39,200,000 (2022: RMB39,200,000, restated), which bear interest at rates ranging from 3.85% to 4.35% (2022: ranging from 3.85% to 4.35%) per annum and are repayable within one year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

27. PROVISION FOR MAJOR OVERHAULS

Pursuant to the service concession agreements entered into by the Group, the Group has contractual obligations to maintain the waste incineration plants it operates to a specified level of serviceability and/or to restore the plants to a specified condition before it is handed over to the grantors at the end of the service concession periods. These contractual obligations to maintain or restore the waste treatment and power generation plants, except for any upgrade element, are recognised and measured in accordance with HKAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis and revised where appropriate.

The movements in the provision for major overhauls of the waste incineration plants during the year are as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
At 1 January	**10,746**	9,212
Additional provision	**1,221**	986
Increase in discounted amounts arising from the passage of time	**573**	548
At 31 December	**12,540**	10,746

28. DEFERRED INCOME

Deferred income of the Group represented government subsidies in respect of the Group's construction of the waste treatment and power generation plants in Chinese Mainland. The subsidies are interest-free and not required to be repaid, and are recognised in profit or loss on the straight-line basis over the expected useful lives of the relevant assets.

29. DEFERRED TAX

An analysis of the net deferred tax assets/(liabilities) recognised in the consolidated statement of financial position is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Deferred tax assets	**159,675**	50,715
Deferred tax liabilities	**(262,266)**	(204,566)
	(102,591)	(153,851)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

29. DEFERRED TAX *(CONTINUED)*

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

	Losses available for offsetting against future taxable profits RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Temporary differences related to service concession arrangements RMB'000	Impairment provision RMB'000	Provision for major overhauls RMB'000	Net deferred tax assets/ (liabilities) RMB'000
At 1 January 2022 (restated)	4,394	(28,628)	(202,321)	82,605	2,140	(141,810)
Deferred tax credited/ (charged) to profit or loss during the year (restated) (note 11)	–	2,877	(28,833)	13,668	247	(12,041)
At 31 December 2022 and 1 January 2023 (restated)	**4,394**	**(25,751)**	**(231,154)**	**96,273**	**2,387**	**(153,851)**
Deferred tax credited/ (charged) to profit or loss during the year (note 11)	**–**	**2,735**	**58,904**	**(12,109)**	**(35)**	**49,495**
Exchange realignment	**–**	**1,765**	**–**	**–**	**–**	**1,765**
At 31 December 2023	**4,394**	**(21,251)**	**(172,250)**	**84,164**	**2,352**	**(102,591)**

Notes:

(a) At 31 December 2023, deferred tax assets have not been recognised in respect of (i) unused tax losses arising in Hong Kong of approximately RMB119,171,000 (2022: RMB116,523,000, restated) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and (ii) unused tax losses arising in Chinese Mainland of RMB200,071,000 (2022: RMB157,457,000, restated) that will expire in one to five years for offsetting against future taxable profit, as they have arisen in certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised.

(b) Pursuant to the PRC Corporate Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. A lower withholding tax rate may be applied if there is a tax treaty between Chinese Mainland and the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland.

(c) At 31 December 2023, no deferred tax has 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 Chinese Mainland (2022: Nil). In the opinion of the directors of the Company, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB1,520,724,000 (2022: RMB1,475,491,000, restated) as at 31 December 2023.

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

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

30. TRADE PAYABLES

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Billed:		
Less than 3 months	**253,557**	239,589
4 to 6 months	**206,793**	21,139
7 to 12 months	**17,555**	71,067
Over 1 year	**119,476**	85,646
	597,381	417,441
Unbilled*	**262,994**	258,983
	860,375	676,424

* The unbilled balance represented construction payables for solid waste incineration plants and ecological construction services which have not been billed by the suppliers.

Notes:

(a) Included in the Group's trade payables is an amount of RMB23,296,000 (2022: RMB25,095,000, restated) due to a non-controlling equity holder of a subsidiary, arising from transactions carried out in the ordinary course of business of the Group. The balance is unsecured, interest-free and repayable on credit terms similar to those offered by the non-controlling equity holder of a subsidiary to its major customers.

(b) The trade payables are non-interest-bearing and are normally settled within one to six months.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

31. OTHER PAYABLES AND ACCRUALS

	Notes	**2023 RMB'000**	2022 RMB'000 (Restated)
Other payables	(a)	**100,358**	109,564
Contract liabilities	(b)	**56,004**	67,185
Lease liabilities (note 14(b))		**22,809**	36,984
Accruals		**49,111**	46,149
Due to the immediate holding company	(c)	**82,415**	40,292
Due to fellow subsidiaries	(c)	**103,106**	101,233
Due to a joint venture	(c)	**–**	3,078
Total other payables and accruals		**413,803**	404,485
Portion classified as current liabilities		**(396,466)**	(379,538)
Non-current portion		**17,337**	24,947

Notes:

(a) Other payables are non-interest-bearing and have an average term of three to six months.

(b) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)	1 January 2022 RMB'000 (Restated)
Short-term advances received from customers in respect of:			
Hazardous and medical waste treatment services	**356**	227	500
Waste incineration plant construction and related services	**14,447**	2,974	22,595
Ecological construction and related services	**41,201**	63,984	17,139
Total contract liabilities	**56,004**	67,185	40,234

The decrease in contract liabilities in 2023 was mainly due to the decrease in short-term advances received from customers in relation to the provision of ecological construction and related services during the year. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of ecological construction and related services during that year.

(c) The balances with the immediate holding company, fellow subsidiaries and a joint venture are unsecured, interest-free and repayable on demand.

On 28 March 2022, the Company entered into a loan agreement with Idata, the immediate holding company, to refinance the amount due to it of HK$2,693,300,000 (equivalent to RMB2,370,104,000). In addition, on 1 January 2022, the Group entered into a loan agreement with BG Management, a fellow subsidiary, to refinance the amount due to it of RMB800,000,000.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	Beijing Gaoantun		Ha'erbin Shuangqi		Hunan Hengxing		Beifa Jining		Beikong Ecology	
	2023 RMB'000	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)
Percentage of equity interest held by non-controlling interests	**15.104%**	15.104%	**20%**	20%	**35%**	35%	**25%**	25%	**49%**	49%
Accumulated balances of non-controlling interests as at 1 January	**155,245**	135,064	**42,243**	37,452	**(8,786)**	13,949	**74,775**	79,436	**44,395**	65,937
Profit/(loss) for the year attributable to non-controlling interests	**12,151**	20,181	**6,826**	4,791	**(2,578)**	(22,735)	**(8,131)**	(4,661)	**538**	(21,542)
Exchange realignment	**(4,670)**	–	**–**	–	**–**	–	**(9)**	–	**–**	–
Accumulated balances of non-controlling interests as at 31 December	**162,726**	155,245	**49,069**	42,243	**(11,364)**	(8,786)	**66,635**	74,775	**44,933**	44,395

The following table illustrates the summarised financial information of the above subsidiaries:

	Beijing Gaoantun		Ha'erbin Shuangqi		Hunan Hengxing		Beifa Jining		Beikong Ecology	
	2023 RMB'000	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)	**2023 RMB'000**	2022 RMB'000 (Restated)
Revenue	**216,321**	284,791	**121,917**	113,879	**20,176**	27,035	**53,307**	92,041	**323,779**	194,217
Cost of sales and total expenses	**(135,869)**	(151,175)	**(87,789)**	(89,923)	**(27,541)**	(91,993)	**(85,831)**	(110,582)	**(322,682)**	(238,179)
Profit/(loss) for the year	**80,452**	133,616	**34,128**	23,956	**(7,365)**	(64,958)	**(32,524)**	(18,541)	**1,097**	(43,962)
Current assets	**508,598**	429,971	**147,532**	120,169	**10,596**	17,580	**138,270**	616,456	**451,872**	434,689
Non-current assets	**717,046**	757,666	**593,034**	600,877	**59,736**	22,387	**673,850**	704,172	**16,358**	24,502
Current liabilities	**(51,650)**	(60,177)	**(146,901)**	(149,434)	**(34,355)**	(29,746)	**(49,047)**	(85,408)	**(376,530)**	(368,587)
Non-current liabilities	**(95,584)**	(98,740)	**(348,124)**	(360,400)	**(68,315)**	(35,194)	**(494,955)**	(934,577)	**–**	–
Net cash flows from/(used in) operating activities	**112,464**	146,793	**62,126**	29,970	**593**	(3,986)	**20,118**	(17,461)	**(53,695)**	45,706
Net cash flows from/(used in) investing activities	**(14,500)**	(3,655)	**(3,557)**	(16,949)	**(2,623)**	(14,762)	**(46,491)**	(152,561)	**483**	(12)
Net cash flows from/(used in) financing activities	**(29,683)**	(8,802)	**(36,057)**	(26,149)	**2,246**	6,839	**(462,392)**	604,846	**17,126**	2,926
Net increase/(decrease) in cash and cash equivalents	**68,281**	134,336	**22,512**	(13,128)	**216**	(11,909)	**(488,765)**	434,824	**(36,086)**	48,620

* The amounts disclosed above are before any inter-company eliminations.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Save as disclosed in notes 14 and 31(c) to the financial statements regarding (i) the additions of right-of-use assets and lease liabilities and (ii) the refinancing of amounts due to Idata and BG Management, the Group has no other major non-cash transactions of investing and financing activities during the years ended 31 December 2023 and 2022.

(b) Changes in liabilities arising from financing activities

	Bank and other borrowings RMB'000	**Lease liabilities** RMB'000
At 1 January 2022 (restated)	1,371,748	12,284
Changes from financing cash flows (restated)	1,057,367	(17,232)
New leases (restated)	–	39,982
Interest expense (restated)	–	1,950
Transfer from an amount due to the immediate holding company upon refinancing (restated)	2,370,104	–
Transfer from an amount due to a fellow subsidiary upon refinancing (restated)	800,000	–
At 31 December 2022 and 1 January 2023 (restated)	**5,599,219**	**36,984**
Changes from financing cash flows	**(1,217,338)**	**(15,496)**
Interest expense	**–**	**1,321**
Foreign exchange movement	**53,866**	**–**
At 31 December 2023	**4,435,747**	**22,809**

(c) Total cash outflow for leases

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

	2023 **RMB'000**	2022 RMB'000 (Restated)
Within operating activities	**6,675**	4,826
Within financing activities	**15,496**	17,232
	22,171	22,058

34. CONTINGENT LIABILITIES

Indemnities issued to financial institutions for performance bonds in respect of construction undertaken by subsidiaries are RMB70,000,000 (2022: RMB30,000,000).

Save as disclosed above, as at 31 December 2023, the Group did not have any significant contingent liabilities which have not been provided for in the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

35. CAPITAL COMMITMENTS

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

	2023 RMB'000	2022 RMB'000 (Restated)
Contracted, but not provided for:		
Service concession arrangements on a BOO basis	–	40,845
Service concession arrangements on a BOT basis	**413,330**	445,330
	413,330	486,175

The capital commitments as at 31 December 2023 disclosed above is expected to be incurred in the year ending 31 December 2024.

36. RELATED PARTY DISCLOSURES

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

Name of related party	Nature of transactions	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Immediate holding company:				
Idata	Interest expense	(i)	**41,207**	39,376
Fellow subsidiaries:				
北海北控環境科技發展有限公司 ("Beihai Beikong")	Sale of equipment@	(ii)	**22,865**	121,945
BG Finance	Interest income#	(iii)	**54**	99
BG Finance	Interest expense	(iv)	**27,773**	32,521
BG Management	Interest expense	(iv)	**45,353**	41,067
Other related company:				
山東太陽紙業股份有限公司 ("Sun Paper")	Sale of steam#	(v)	**2,950**	–

@ These transactions constitutes connected transactions of the Company that are subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

These transactions constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

36. RELATED PARTY DISCLOSURES *(CONTINUED)*

(a) *(continued)*

Notes:

(i) The interest expense payable to Idata was mutually agreed between the Company (as borrower) and Idata (as lender) under the loan agreement dated 28 March 2022 in the loan principal amount of HK$2,693,300,000. The loan has a three-year tenure, is unsecured and bears interest at 1.7% per annum, which was determined with reference to the prevailing market rates.

(ii) The sale of equipment to Beihai Beikong were mutually agreed between 北京北控環境保護有限公司 (as vendor), a wholly-owned subsidiary of the Company, and Beihai Beikong (as purchaser) under the supply contract dated 3 September 2021. Further details of the transaction are set out in the circular of the Company dated 30 September 2021.

(iii) The interest income received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 23 December 2020, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 1 January 2021 to 31 December 2023. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of 北京控股集團有限公司 ("BEGCL"), for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK$40,000,000. The deposits placed by the Group with BG Finance as at 31 December 2023 amounted to RMB11,794,000 (2022: RMB16,930,000, restated). Further details of the transaction are set out in the announcement of the Company dated 23 December 2020.

(iv) The interest expenses were paid for loans obtained from BG Finance and BG Management and the interest rates were mutually agreed with BG Finance and BG Management, respectively, with reference to the prevailing market rates.

(v) The sale of steam to Sun Paper were mutually agreed between Beifa Jining, a 75% indirectly owned subsidiary of the Company, and Sun Paper, a connected person of Beifa Jining, under the steam supply contract (the "Contract") dated 30 May 2023. Pursuant to the Contract, Beifa Jining supplies industrial steam to Sun Paper and Sun Paper supplies steam condensate and desalinated water to Beifa Jining, with unit prices mutually agreed between the Contract parties, for the validity period up to 31 December 2025. The annual caps of the fee settlement for the year ending 31 December 2023, 2024 and 2025 are determined at HK$32,000,000, HK$90,000,000 and HK$90,000,000. Further details of the transactions are set out in the announcement of the Company dated 30 May 2023.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

36. RELATED PARTY DISCLOSURES *(CONTINUED)*

(b) Outstanding balances with related parties

(i) Details of the Group's balances with the immediate holding company, fellow subsidiaries, a joint venture and non-controlling equity holders of subsidiaries included in trade and bills receivables, prepayments, deposits and other receivables, trade payables and other payables and accruals as at the end of the reporting period are disclosed in notes 21(f), 22, 30(a) and 31(c) to the financial statements, respectively.

(ii) Details of the Group's cash deposits placed in a fellow subsidiary and other loans borrowed from the immediate holding company, the fellow subsidiaries and a non-controlling equity holder of a subsidiary as at the end of the reporting period are disclosed in notes 23(c), 26(d), 26(e) and 26(f) to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2023 **RMB'000**	2022 RMB'000 (Restated)
Short term employee benefits	**13,362**	10,682
Post-employment benefits	**897**	746
Total compensation paid to key management personnel	**14,259**	11,428

Further details of directors' emoluments are included in note 9 to the financial statements.

(d) Transactions with other state-owned entities in Chinese Mainland

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and the ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group had transactions with Other SOEs including, but not limited to, bank deposits and borrowings and utilities consumptions. The directors of the Company consider that the transactions with Other SOEs were activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

37. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities of the Group as at 31 December 2023 and 2022 were financial assets at amortised cost and financial liabilities at amortised cost, respectively.

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and financial liabilities which are due to be received or settled within one year are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

For other non-current financial assets and financial liabilities, in the opinion of the directors of Company, since their carrying amounts are not significantly different from their respective fair values, no disclosure of the fair values of these financial instruments is made.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, bank and other borrowings. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(a) Interest rate risk

The following table sets out the carrying amounts of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk:

	RMB'000	**Effective interest rate** %
31 December 2023		
Floating rate:		
Bank balances	**1,187,957**	**1.25**
Bank and other borrowings	**1,972,577**	**3.55**
Fixed rate:		
Time deposits	**21,957**	**1.30**
Other borrowings	**2,463,170**	**1.74**
31 December 2022 (restated)		
Floating rate:		
Pledged deposits	483	–
Bank balances	2,305,269	0.89
Bank and other borrowings	2,389,915	4.03
Fixed rate:		
Time deposits	68,337	0.81
Other borrowings	3,209,304	2.27

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries located in Chinese Mainland and the majority of its transactions are conducted in RMB. The Group therefore has a minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. However, the net assets of these Chinese Mainland subsidiaries are exposed to foreign currency translational risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and of the Group's equity resulted from the translation of the Group's foreign operations.

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2023			
If RMB weakens against HK$	**5**	**(3,699)**	**(250,833)**
If RMB strengthens against HK$	**(5)**	**3,699**	**250,833**
2022 (restated)			
If RMB weakens against HK$	5	(4,332)	(256,397)
If RMB strengthens against HK$	(5)	4,332	256,397

* Excluding retained profits

(c) Credit risk

The Group trades only with recognised and creditworthy third parties and receivable balances are monitored on an ongoing basis, and therefore, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the reporting period. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(c) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
31 December 2023					
Contract assets*	**–**	**–**	**–**	**371,820**	**371,820**
Trade and bills receivables*	**–**	**–**	**–**	**733,862**	**733,862**
Receivables under service concession arrangements	**2,432,869**	**–**	**–**	**–**	**2,432,869**
Financial assets included in deposits and other receivables – Normal#	**231,495**	**–**	**–**	**–**	**231,495**
Cash and cash equivalents – Not yet past due	**1,209,940**	**–**	**–**	**–**	**1,209,940**
	3,874,304	**–**	**–**	**1,105,682**	**4,979,986**
31 December 2022 (restated)					
Contract assets*	–	–	–	262,500	262,500
Trade and bills receivables*	–	–	–	580,068	580,068
Receivables under service concession arrangements	2,292,671	–	–	–	2,292,671
Financial assets included in deposits and other receivables – Normal#	240,667	–	–	–	240,667
Pledged deposits – Not yet past due	483	–	–	–	483
Cash and cash equivalents – Not yet past due	2,373,654	–	–	–	2,373,654
	4,907,475	–	–	842,568	5,750,043

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix of trade and bills receivables is disclosed in note 21(d) to the financial statements. The Group's exposure to credit risk of contract assets is not significant and the ECL is minimal.

\# The credit quality of the financial assets (other than contract assets) included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group has the following loans and borrowings as at the end of the reporting period:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Bank loans	**1,360,028**	1,684,218
Other loans	**3,075,719**	3,915,001
Lease liabilities	**22,809**	36,984
	4,458,556	5,636,203
Analysed into:		
Bank loans repayable:		
Within one year	**136,349**	117,296
In the second year	**122,828**	101,000
In the third to fifth years, inclusive	**405,682**	367,959
Beyond five years	**695,169**	1,097,963
	1,360,028	1,684,218
Other loans and lease liabilities repayable:		
Within one year	**2,583,754**	142,237
In the second year	**64,304**	3,292,826
In the third to fifth years, inclusive	**213,570**	228,945
Beyond five years	**236,900**	287,977
	3,098,528	3,951,985
Total loans and borrowings	**4,458,556**	5,636,203

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(d) Liquidity risk *(continued)*

The maturity profile of the Group's financial liabilities (other than receipts in advance and contract liabilities) as at 31 December 2023 and 2022, based on the contractual undiscounted payments, is as follows:

	On demand or within 1 year RMB'000	**1 to 2 years** RMB'000	**3 to 5 years** RMB'000	**Beyond 5 years** RMB'000	**Total** RMB'000
At 31 December 2023					
Bank and other borrowings	**2,740,047**	**188,633**	**715,123**	**1,170,323**	**4,814,126**
Trade payables	**860,375**	**–**	**–**	**–**	**860,375**
Lease liabilities	**8,769**	**8,793**	**17,538**	**–**	**35,100**
Other payables and accruals (excluding lease liabilities)	**334,990**	**–**	**–**	**–**	**334,990**
	3,944,181	**197,426**	**732,661**	**1,170,323**	**6,044,591**
At 31 December 2022 (restated)					
Bank and other borrowings	252,518	3,506,754	695,285	1,788,140	6,242,697
Trade payables	676,424	–	–	–	676,424
Lease liabilities	15,520	8,793	17,538	–	41,851
Other payables and accruals (excluding lease liabilities)	300,316	–	–	–	300,316
	1,244,778	3,515,547	712,823	1,788,140	7,261,288

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTINUED)*

(e) 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 structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares to increase share capital.

The Group monitors capital using the gearing ratio, which is calculated based on net debt and total equity. Net debt is calculated as total bank and other borrowings and the amount due to the immediate holding company (as included in other payables and accruals in the consolidated statement of financial position) less cash and cash equivalents. The gearing ratios as at 31 December 2023 and 2022 were as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Total debt	**4,435,747**	5,599,219
Less: Cash and cash equivalents	**(1,209,940)**	(2,373,654)
Net debt	**3,225,807**	3,225,565
Total equity	**3,656,360**	3,440,219
Gearing ratio	**88.2%**	93.8%

40. OTHER FINANCIAL INFORMATION

The net current liabilities and total assets less current liabilities of the Group as at 31 December 2023 amounted to RMB1,077,908,000 (2022: net current assets of RMB2,190,483,000, restated) and RMB5,824,426,000 (2022: RMB9,185,702,000, restated), respectively.

41. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group intended to dispose of its 51% interests in a subsidiary carrying out the ecological construction services, Beijing Beikong Ecology & Construction Group Co., Ltd., through public tender at China Beijing Equity Exchange. The tender period is 20 working days commencing from 25 March 2024 and the tender price is RMB52,823,400. Details of the tender is disclosed in the Company's announcement dated 22 March 2024. Save as disclosed above, no significant event affecting the Group occurred after 31 December 2023.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
ASSETS		
Non-current assets:		
Office equipment and motor vehicles	**103**	129
Intangible assets	**27**	34
Investments in subsidiaries	**3,875,082**	3,800,930
Total non-current assets	**3,875,212**	3,801,093
Current assets:		
Prepayments, deposits and other receivables	**296,473**	252,971
Cash and bank balances	**56,812**	96,237
Total current assets	**353,285**	349,208
TOTAL ASSETS	**4,228,497**	4,150,301
EQUITY AND LIABILITIES		
Equity:		
Share capital	**1,972,895**	1,972,895
Reserves (note)	**(273,162)**	(254,535)
TOTAL EQUITY	**1,699,733**	1,718,360
Non-current liability:		
Loan from the immediate holding company	**–**	2,370,104
Total non-current liability	**–**	2,370,104
Current liabilities:		
Other payables and accruals	**104,794**	61,837
Loan from the immediate holding company	**2,423,970**	–
Total current liabilities	**2,528,764**	61,837
TOTAL LIABILITIES	**2,528,764**	2,431,941
TOTAL EQUITY AND LIABILITIES	**4,228,497**	4,150,301

CHEN XINGUO
Director

LI AI
Director

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2023

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

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

	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (restated)	10,371	(105,809)	(213,172)	(308,610)
Loss for the year and total comprehensive loss for the year (restated)	–	120,238	(66,163)	54,075
At 31 December 2022 and 1 January 2023 (restated)	**10,371**	**14,429**	**(279,335)**	**(254,535)**
Loss for the year and total comprehensive loss for the year	**–**	**39,054**	**(57,681)**	**(18,627)**
At 31 December 2023	**10,371**	**53,483**	**(337,016)**	**(273,162)**

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2024.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted and restated from the published audited financial statements and the annual report for the year ended 31 December 2022, is set out below:

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS					
Revenue	**1,934,498**	2,205,356	2,007,620	1,593,644	1,218,019
Profit before tax	**255,977**	349,939	222,919	132,909	217,183
Income tax	**(53,898)**	(68,378)	(19,056)	5,383	(23,368)
Profit for the year	**202,079**	281,561	203,863	138,292	193,815
Attributable to:					
Shareholders of the Company	**190,954**	303,755	219,163	114,834	195,558
Non-controlling interests	**11,125**	(22,194)	(15,300)	23,458	(1,743)
	202,079	281,561	203,863	138,292	193,815

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**9,897,162**	10,571,045	8,876,519	8,192,146	7,956,224
Total liabilities	**(6,240,802)**	(7,130,826)	(5,776,791)	(5,283,470)	(5,187,465)
Net assets	**3,656,360**	3,440,219	3,099,728	2,908,676	2,768,759
Equity attributable to:					
Shareholders of the Company	**3,329,426**	3,122,648	2,759,643	2,575,137	2,507,762
Non-controlling interests	**326,934**	317,571	340,085	333,539	260,997
	3,656,360	3,440,219	3,099,728	2,908,676	2,768,759

Note: For presentation purpose, the consolidated results, assets, liabilities and non-controlling interests information for the prior financial years were restated following the change in presentation currency of the Group's financial statements from HK$ to RMB during the year ended 31 December 2023.