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## CAPITAL ENVIRONMENT HOLDINGS LIMITED

### 首創環境控股有限公司

*(Incorporated in Cayman Islands with limited liability)*

**(Stock Code: 03989)**

### ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Board of Directors (the “Board”) of Capital Environment Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*Year ended 31 December 2021*

	Notes	2021 <b>RMB'000</b>	2020 <b>RMB'000</b>
<b>REVENUE</b>	4	<b>7,902,604</b>	7,646,659
Cost of sales		<u>(5,505,267)</u>	<u>(5,712,322)</u>
Gross profit		<u>2,397,337</u>	<u>1,934,337</u>
Other income and gains	4	<b>90,325</b>	160,393
Administrative expenses		<b>(804,441)</b>	(679,324)
Impairment of other intangible assets		<b>(63,731)</b>	(83,218)
Other expenses		<b>(236,675)</b>	(32,998)
Finance costs	6	<b>(580,502)</b>	(554,713)
Share of profits and losses of:			
Joint ventures		<b>54,553</b>	39,758
Associates		<b>3,991</b>	(6,948)
<b>PROFIT BEFORE TAX</b>	5	<b>860,857</b>	777,287
Income tax expense	7	<b>(287,718)</b>	(281,365)
<b>PROFIT FOR THE YEAR</b>		<b><u>573,139</u></b>	<u>495,922</u>

	<i>Notes</i>	<b>2021</b> <b>RMB'000</b>	2020 <i>RMB'000</i>
Attributable to:			
Owners of the parent		<b>510,746</b>	465,041
Owners of the preference shareholders		<b>53,425</b>	1,082
Non-controlling interests		<b>8,968</b>	29,799
		<u><b>573,139</b></u>	<u>495,922</u>
 <b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	<i>9</i>	<u><b>RMB3.57 cents</b></u>	<u>RMB3.25 cents</u>
Diluted	<i>9</i>	<u><b>RMB3.57 cents</b></u>	<u>RMB3.25 cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>573,139</b>	495,922
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(12,371)	(24,924)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	45,179	16,865
Income tax effect	(7,088)	(1,271)
	<b>25,720</b>	(9,330)
Exchange differences:		
Exchange differences on translation of foreign operations	(34,096)	278,435
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<b>(8,376)</b>	269,105
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investment designated at fair value through other comprehensive income:		
Changes in fair value	(734)	(519)
Exchange differences:		
Exchange differences on translation of the parent company	(106,197)	(50,233)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<b>(106,931)</b>	(50,752)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>(115,307)</b>	218,353
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>457,832</b>	714,275
Attributable to:		
Owners of the parent	484,072	682,031
Owners of the preference shareholders	53,424	1,082
Non-controlling interests	(79,664)	31,162
	<b>457,832</b>	714,275

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

		31 December 2021	31 December 2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		2,439,493	2,604,229
Right-of-use assets		1,310,731	1,430,978
Goodwill		1,941,793	2,117,205
Other intangible assets	10	4,924,125	3,276,255
Investments in joint ventures		401,708	452,531
Investments in associates	11	40,406	97,573
Trade receivables	14	193,676	366,796
Equity investment designated at fair value through other comprehensive income		16,665	17,399
Deferred tax assets		10,803	15,448
Concession financial assets	12	5,796,419	4,455,330
Contract assets	13	2,707,184	3,105,749
Prepayments, other receivables and other assets		159,472	59,366
Pledged deposits		3,026	5,017
		<hr/>	<hr/>
Total non-current assets		19,945,501	18,003,876
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		66,441	114,605
Concession financial assets	12	1,131,642	805,902
Contract assets	13	208,820	123,917
Assets classified as held for sale	15	492,075	3,901
Trade receivables	14	1,444,970	1,132,849
Prepayments, other receivables and other assets		1,157,724	1,013,101
Derivative financial instruments		1,766	–
Amounts due from associates		1,954	48,690
Tax recoverable		4,881	–
Pledged deposits		34,720	45,175
Time deposits		–	5,000
Cash and cash equivalents		1,682,745	2,762,052
		<hr/>	<hr/>
Total current assets		6,227,738	6,055,192
		<hr/>	<hr/>

		<b>31 December 2021</b>	31 December 2020
	<i>Notes</i>	<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>16</i>	<b>2,062,996</b>	1,853,229
Other payables and accruals		<b>564,883</b>	529,748
Deferred income		<b>11,464</b>	8,143
Derivative financial instruments		<b>5,106</b>	24,679
Interest-bearing bank and other borrowings	<i>17</i>	<b>3,960,026</b>	3,860,172
Notes payable	<i>18</i>	–	1,950,197
Lease liabilities		<b>75,471</b>	64,651
Amounts due to related parties		<b>9,153</b>	1,939
Tax payable		<b>237,993</b>	228,377
Liabilities directly associated with the assets classified as held for sale	<i>15</i>	<b>195,836</b>	–
Total current liabilities		<b>7,122,928</b>	8,521,135
<b>NET CURRENT LIABILITIES</b>		<b>(895,190)</b>	(2,465,943)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>19,050,311</b>	15,537,933
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		<b>235,726</b>	202,606
Interest-bearing bank and other borrowings	<i>17</i>	<b>7,770,598</b>	4,856,974
Lease liabilities		<b>1,244,235</b>	1,300,481
Corporate bonds		<b>996,514</b>	995,529
Derivative financial instruments		–	13,224
Deferred tax liabilities		<b>868,804</b>	725,606
Provisions		<b>217,813</b>	254,498
Total non-current liabilities		<b>11,333,690</b>	8,348,918
Net assets		<b>7,716,621</b>	7,189,015
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Issued capital		<b>1,188,219</b>	1,188,219
Other equity instruments	<i>19</i>	<b>1,367,694</b>	1,316,938
Reserves		<b>3,654,983</b>	3,117,487
Non-controlling interests		<b>6,210,896</b>	5,622,644
		<b>1,505,725</b>	1,566,371
Total equity		<b>7,716,621</b>	7,189,015

## NOTES TO FINANCIAL STATEMENTS

31 December 2021

### 1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 13 July 2006. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's head office and principal place of business in Hong Kong is located at Unit 1613-1618, 16th Floor, Bank of America Tower, 12 Harcourt Road, Central.

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

### 2.1 BASIS OF PREPARATION

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

The Group's net current liabilities were RMB895,190,000 as at 31 December 2021. The financial statements are still presented on the basis of going concern as the Group has undrawn borrowing facilities amounting to RMB3,286,253,000 as at 31 December 2021 to support the Group's going concern if necessary.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9,  
HKAS 39 and HKFRS 7,  
HKFRS 4 and HKFRS 16  
Amendment to HKFRS 16

*Interest Rate Benchmark Reform-Phase 2*

*Covid-19-Related Rent Concessions beyond 30 June 2021*  
(early adopted)

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

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”) and United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 2.74% (1.34%+1.4%) and receives interest at a variable rate based on HIBOR (HIBOR+1.4%) on the notional amount. The Group expects that HIBOR will continue to exist and the interest rate benchmark reform has not had an impact on the Group’s HIBOR-based borrowings. For the LIBOR-based borrowings, HIBOR-based borrowings and related interest rate swap, since the interest rates of these borrowings were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

Except the accounting policies above, the IFRS Interpretations Committee (IFRIC) issued an agenda decision in March 2021 for configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The Group has assessed the impact of the agenda decision on its current accounting policy, which resulted in previously capitalised costs needed to be recognised as an expense. However, in the opinion of the directors, the amount was not material for this year and no retrospective adjustment was made in the financial statements.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>2, 5</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>2, 4</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>2</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>2</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>2</sup>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> <sup>1</sup>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> <sup>1</sup>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the amendments to HKAS 1, 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 in October 2020 to align the corresponding wording with no change in conclusion

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

## 3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit before tax from operations.

The Group has two reportable segments, being (a) the waste treatment and waste-to-energy business in the People's Republic of China ("PRC") and (b) the waste treatment and waste-to-energy business in New Zealand.

<b>Year ended 31 December 2021</b>	<b>Waste treatment and waste-to- energy business in the PRC <i>RMB'000</i></b>	<b>Waste treatment and waste-to- energy business in New Zealand <i>RMB'000</i></b>	<b>Total <i>RMB'000</i></b>
<b>Segment revenue:</b>			
Revenue from external customers	5,395,943	2,506,661	<u>7,902,604</u>
Revenue from operations			<u><u>7,902,604</u></u>
<b>Segment results</b>	<b>755,126</b>	<b>105,731</b>	<b>860,857</b>
<b>Other segment information:</b>			
Share of profits of joint ventures	–	54,553	54,553
Share of profits of associates	3,991	–	3,991
Impairment losses recognised in the statement of profit or loss	164,205	19,418	183,623
Depreciation and amortisation	298,800	213,379	512,179
Investments in joint ventures	–	401,708	401,708
Investments in associates	40,406	–	40,406
Capital expenditure ( <i>note</i> )	96,874	302,537	399,411
<b>31 December 2021</b>			
<b>Segment assets</b>	<b>19,117,788</b>	<b>7,055,451</b>	<b>26,173,239</b>
<b>Segment liabilities</b>	<b>13,654,533</b>	<b>4,802,085</b>	<b>18,456,618</b>

Year ended 31 December 2020	Waste treatment and waste-to- energy business in the PRC <i>RMB'000</i>	Waste treatment and waste-to- energy business in New Zealand <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Segment revenue:</b>			
Revenue from external customers	5,387,406	2,259,253	7,646,659
Revenue from operations			7,646,659
<b>Segment results</b>	644,464	132,823	777,287
<b>Other segment information:</b>			
Share of profits of joint ventures	–	39,758	39,758
Share of losses of associates	(6,948)	–	(6,948)
Impairment losses recognised in the statement of profit or loss	88,573	6,320	94,893
Impairment losses reversed in the statement of profit or loss	(420)	–	(420)
Depreciation and amortisation	121,504	332,804	454,308
Investments in joint ventures	–	452,531	452,531
Investments in associates	97,753	–	97,753
Capital expenditure ( <i>note</i> )	272,842	337,894	610,736
<b>31 December 2020</b>			
<b>Segment assets</b>	16,467,691	7,591,377	24,059,068
<b>Segment liabilities</b>	11,694,493	5,175,560	16,870,053

*Note:* Capital expenditure consists of additions to property, plant and equipment, including assets from the acquisition of a subsidiary.

#### Information about major customers

No revenue derived from an individual customer of the Group amounted to 10% or more of the Group's revenue.

#### 4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the proceeds, net of value-added tax and surcharges from the following revenue streams during the year.

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

##### Revenue

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue from contracts with customers	7,509,613	7,371,550
Effective interest income on concession financial assets	392,991	275,109
	<u>7,902,604</u>	<u>7,646,659</u>

##### (i) *Disaggregated revenue from contracts with customers*

Disaggregated revenue information for revenue from contracts with customers:

31 December 2021	The PRC <i>RMB'000</i>	New Zealand <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Types of goods or services</b>			
Construction services under service concession arrangements	3,168,203	–	3,168,203
Operation services under service concession arrangements	1,006,158	–	1,006,158
Electronic appliance dismantling	459,032	–	459,032
Operation services not under service concession arrangements	64,723	2,500,759	2,565,482
Others	304,836	5,902	310,738
	<u>5,002,952</u>	<u>2,506,661</u>	<u>7,509,613</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	582,913	107,274	690,187
Services transferred at a point in time	999,443	2,399,387	3,398,830
Services transferred over time	3,420,596	–	3,420,596
	<u>5,002,952</u>	<u>2,506,661</u>	<u>7,509,613</u>

31 December 2020	The PRC RMB'000	New Zealand RMB'000	Total RMB'000
<b>Types of goods or services</b>			
Construction services under service concession arrangements	3,605,593	–	3,605,593
Operation services under service concession arrangements	724,192	–	724,192
Electronic appliance dismantling	444,791	–	444,791
Operation services not under service concession arrangements	30,130	2,259,055	2,289,185
Others	307,591	198	307,789
	<u>5,112,297</u>	<u>2,259,253</u>	<u>7,371,550</u>
Total revenue from contracts with customers	<u>5,112,297</u>	<u>2,259,253</u>	<u>7,371,550</u>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	491,438	74,953	566,391
Services transferred at a point in time	765,507	2,184,300	2,949,807
Services transferred over time	3,855,352	–	3,855,352
	<u>5,112,297</u>	<u>2,259,253</u>	<u>7,371,550</u>
Total revenue from contracts with customers	<u>5,112,297</u>	<u>2,259,253</u>	<u>7,371,550</u>

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was RMB132,390,000 (2020: RMB126,410,000).

**(ii) Performance obligations**

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

*Construction services under service concession arrangements*

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

*Operation services under service concession arrangements*

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

*Electronic appliance dismantling*

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

### *Operation services not under service concession arrangements*

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

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

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:		
Within one year	<b>3,139,009</b>	3,461,705
After one year	<b>28,298,210</b>	25,470,624
	<b>31,437,219</b>	28,932,329

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

### **Other income and gains**

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Bank interest income	<b>9,042</b>	7,432
Other interest income	<b>3,147</b>	31,383
Gain on disposal of items of property, plant and equipment	<b>3,041</b>	825
Gain on disposal of an associate	<b>5,401</b>	–
Gain on termination of service concession arrangements	<b>18,382</b>	–
Gain on step acquisition	–	7,381
Government grants	<b>49,580</b>	97,176
Reversal of impairment of prepayments, other receivables and other assets	–	420
Foreign exchange gains	–	9,871
Others	<b>1,732</b>	5,905
	<b>90,325</b>	160,393

## 5. PROFIT BEFORE TAX

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Cost of services rendered for service concession arrangements	3,177,045	3,624,423
Cost of other services provided	1,874,954	1,679,436
Cost of inventories sold	453,268	408,463
Depreciation*		
– Property, plant and equipment	301,080	278,951
– Right-of-use assets	70,786	53,008
Amortisation of other intangible assets*	140,313	122,349
Research and development costs	29,344	8,096
Lease payments not included in the measurement of lease liabilities*	24,299	41,942
Auditor's remuneration		
– Audit services	4,295	5,005
– Non-audit services	2,238	1,843
Employee benefit expense (excluding directors' emoluments):		
Wages and salaries	384,561	334,381
Pension scheme contributions	51,487	26,933
Foreign exchange differences, net	61,299	(8,103)
Impairment of financial and contract assets, net:		
Impairment of trade receivables	37,793	11,675
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	11,406	(420)
Impairment of concession financial assets and relevant contract assets	7,262	–
Written-down of assets classified as held for sale to fair value	28,879	–
Impairment of property, plant and equipment	26,632	–
Impairment of inventories	1,154	–
Impairment of goodwill	6,766	–
Impairment of other intangible assets	63,731	83,218
Gain on termination of a service concession arrangement	(18,382)	–
Gain on disposal of items of property, plant and equipment	(3,041)	(825)
Loss on disposal of a subsidiary	7,550	–
Loss on derivative financial instruments	37,704	16,821

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

## 6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest on bank and other borrowings	440,958	419,545
Interest on notes payable	82,682	127,428
Interest on corporate bonds	36,985	21,874
Interest on lease liabilities	65,683	55,890
	<hr/>	<hr/>
Total interest	626,308	624,737
Less: Interest capitalised	64,431	78,839
	<hr/>	<hr/>
	561,877	545,898
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	556	2,080
Others	18,069	6,735
	<hr/>	<hr/>
	<b>580,502</b>	<b>554,713</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax was calculated at 10% (2020: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both years. Thirty-nine (2020: Thirty-five) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Twenty-one (2020: Twenty-two) were exempted from PRC income taxes, whereas another sixteen (2020: nine) were entitled to a preferential tax of 12.5%, and another two (2020: four) were entitled to preferential tax rates of 5%, 7.5%, 10% and 15%, respectively, for the year.

New Zealand profits tax has been provided at the rate of 28% (2020: 28%) on the estimated assessable profits arising in New Zealand 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.

According to PRC tax regulations, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 10% on various types of passive income such as dividends derived from entities in the PRC. Distributions of the pre-2008 earnings are exempted from the above-mentioned withholding tax. At 31 December 2021, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC (2020: nil). In the opinion of the directors, it is not probable that the Group's PRC subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB2,443,016,000 (2020: RMB1,575,869,000).

	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current – Hong Kong		
Charge for the year	<b>26,222</b>	25,990
Current – the PRC		
Charge for the year	<b>120,614</b>	135,257
Underprovision in prior years	–	1,109
Current – New Zealand		
Charge for the year	<b>8,553</b>	22,193
Underprovision in prior years	–	1,612
Deferred	<b>132,329</b>	95,204
	<hr/> <b>287,718</b> <hr/>	<hr/> 281,365 <hr/>
Total tax charge for the year	<b>287,718</b>	281,365

## **8. DIVIDENDS**

No dividend was paid or proposed by the Company during 2021, nor has any dividend been proposed by the Company since the end of the reporting period (2020: nil).

## **9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (2020: 14,294,733,167) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

The calculation of basic earnings per share is based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>510,746</u>	<u>465,041</u>
	<b>Number of shares</b>	
	2021	2020
<b>Shares</b>		
Weighted average number of shares in issue during the year used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

## 10. OTHER INTANGIBLE ASSETS

	Customer contracts <i>RMB'000</i>	Service concession arrangements <i>RMB'000</i>	Licenses and franchises <i>RMB'000</i>	Trade names and trademarks <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>31 December 2021</b>						
Cost at 1 January 2021, net of accumulated amortisation	86,363	1,972,735	408,678	734,907	73,572	3,276,255
Additions	-	2,130	-	-	2,539	4,669
Transfer from contract assets	-	1,987,369	-	-	-	1,987,369
Transfer from construction in progress	-	-	-	-	18,706	18,706
Amortisation provided during the year	(11,021)	(86,262)	(31,921)	-	(11,109)	(140,313)
Disposals	-	(38,065)	-	-	(92)	(38,157)
Disposal of a subsidiary ( <i>note 21</i> )	-	(16,793)	-	-	-	(16,793)
Impairment during the year	-	(63,731)	-	-	-	(63,731)
Exchange realignment	(6,419)	-	(31,442)	(59,765)	(6,254)	(103,880)
At 31 December 2021	<u>68,923</u>	<u>3,757,383</u>	<u>345,315</u>	<u>675,142</u>	<u>77,362</u>	<u>4,924,125</u>
At 31 December 2021:						
Cost	144,604	4,076,695	573,365	675,142	118,884	5,588,690
Accumulated amortisation and impairment	(75,681)	(319,312)	(228,050)	-	(41,522)	(664,565)
Net carrying amount	<u>68,923</u>	<u>3,757,383</u>	<u>345,315</u>	<u>675,142</u>	<u>77,362</u>	<u>4,924,125</u>

	Customer contracts <i>RMB'000</i>	Service concession arrangements <i>RMB'000</i>	Licenses and franchises <i>RMB'000</i>	Trade names and trademarks <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2020						
Cost at 1 January 2020, net of accumulated amortisation	97,693	1,347,507	441,333	734,835	80,638	2,702,006
Additions	–	45,947	–	–	3,642	49,589
Transfer from contract assets	–	732,229	–	–	–	732,229
Amortisation provided during the year	(10,825)	(69,392)	(31,894)	–	(10,238)	(122,349)
Impairment during the year	–	(83,218)	–	–	–	(83,218)
Exchange realignment	(505)	(338)	(761)	72	(470)	(2,002)
At 31 December 2020	<u>86,363</u>	<u>1,972,735</u>	<u>408,678</u>	<u>734,907</u>	<u>73,572</u>	<u>3,276,255</u>
At 31 December 2020:						
Cost	157,405	2,159,715	622,701	734,907	107,989	3,782,717
Accumulated amortisation and impairment	<u>(71,042)</u>	<u>(186,980)</u>	<u>(214,023)</u>	–	<u>(34,417)</u>	<u>(506,462)</u>
Net carrying amount	<u>86,363</u>	<u>1,972,735</u>	<u>408,678</u>	<u>734,907</u>	<u>73,572</u>	<u>3,276,255</u>

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

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

The breakdown of the intangible assets with indefinite useful lives is as follows:

	<b>2021</b> <b><i>RMB'000</i></b>	2020 <i>RMB'000</i>
Licenses and franchises	<b>122,504</b>	133,349
Trade names and trademarks	<b>675,142</b>	734,907
	<u><b>797,646</b></u>	<u>868,256</u>

The trade name of “Waste Management” and other trademarks and licenses issued by the local government to operate various transfer stations in New Zealand are expected to be used for the foreseeable future. In the opinion of the directors of the Company, they are capable of being renewed indefinitely at insignificant cost and are classified as intangible assets with indefinite useful lives by the Group in accordance with HKAS 38 *Intangible Assets*.

## Impairment testing of intangible assets in relation to service concession arrangements

The recoverable amount of intangible assets in relation to service concession arrangements of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering its concession periods. The cash-generating unit impaired during the year is in relation to Beijing Shoujian Environment Protection Company Limited (北京首建環保有限責任公司), and its recovery amount is RMB175,689,000. The pre-tax discount rate applied to the cash flow projections is 13.5%.

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

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

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

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

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

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

## 11. INVESTMENTS IN ASSOCIATES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Share of net assets	<u>40,406</u>	<u>97,573</u>

No loans from associates were included in the Group's current liabilities (2020: nil).

On 22 January 2021, the Group entered into a sale and purchase agreement with Guangdong Guangye Investment Group Co., Ltd. (廣東廣業投資集團有限公司), which is a state-owned enterprise managed by Guangdong Guangye Group Co., Ltd. under the State-owned Assets Supervision and Administration Commission of Guangdong Province, to dispose of its 46% interest in Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司, a former material associate of the Group) and its amount due from the associate of RMB38,321,000, for cash considerations of RMB131,200,000 received in total. This transaction was completed in February 2021, leading to a gain of RMB5,401,000 to the Group.

Particulars of the remaining associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Beijing Lanjie Lide Environment Holding Limited (北京藍潔利德環境科技有限公司)	RMB1,760,000	PRC/Mainland China	29	Provision of waste transportation services
Hebei Xiongan Pioneer Environmental Governance Limited (河北雄安首創環境治理有限公司)	RMB72,390,000	PRC/Mainland China	49	Eco-protection and environmental governance

## 12. CONCESSION FINANCIAL ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Analysed for reporting purposes as:		
Current assets	1,131,642	805,902
Non-current assets	5,796,419	4,455,330
	<u>6,928,061</u>	<u>5,261,232</u>

Concession financial assets mainly represent the amounts of the costs incurred by the Group for the construction rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a build-operate-transfer (“BOT”), transfer-operate-transfer (“TOT”) or build-operate-own (“BOO”) basis, plus the attributable profits on the services provided, to the extent of the unconditional contractual right to receive cash or another financial asset from the government authorities or their designators (“Grantor”) for the construction services which have been completed.

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

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

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the Grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2021, the probability of default applied ranging from 0.08% to 2.03% and the loss given default was estimated to be 45%, which led to an impairment of RMB5,746,000 recognised during the year. The loss allowance was assessed to be limited as at 31 December 2020 in respect of the concession financial assets and relevant contract assets.

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

The Group recognised revenue from construction services of RMB3,168,203,000 (2020: RMB3,605,593,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB1,006,158,000 (2020: RMB724,192,000) for all the service concession arrangements of the Group (note 4). The gross profits recognised from construction services amounted to RMB773,920,000 (2020: RMB581,849,000) and the gross profits recognised from operation services amounted to RMB305,850,000 (2020: RMB251,500,000) for all the service concession arrangements of the Group.

As at 31 December 2021, the major terms of the Group's significant service concession arrangements with guaranteed receipts are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of Grantor	Service concession period	Maximum daily capacity	Electricity generation	Balance as at 31 December 2021 RMB'000	Balance as at 31 December 2020 RMB'000
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	161 million kWh	1,204,896	1,228,366
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Xichuan, Xixia and Neixiang (浙川、西峽、內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	1,800 tonnes	114 million kWh	522,516	507,587
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌城市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	131 million kWh	488,966	555,326
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	219 million kWh	467,012	468,722
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	347,380	387,417
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046 (30 years)	900 tonnes	83 million kWh	310,493	-
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	Zhengyang Solid Waste Incineration Power Generation Project (正陽縣生活垃圾焚燒發電項目)	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement (正陽縣城市管理綜合執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	53 million kWh	299,731	183,630
Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司)	Suixian Solid Waste Incineration Power Generation Project (睢縣生活垃圾焚燒發電項目)	Suixian, Henan	Suixian Urban Management and Law Enforcement (睢縣城市管理行政執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	61 million kWh	269,627	276,348
Yutian Capital Environment Energy Co., Ltd. (玉田首創環保能源有限公司)	Yutian Solid Waste Incineration Power Generation Plant (玉田縣生活垃圾焚燒發電項目)	Yutian, Tangshan, Hebei	Yutian Housing and Urban-Rural Construction Commission (玉田縣住房和城鄉建設局)	30 years after obtaining the approval for construction	600 tonnes	46 million kWh	259,796	-
Duchang Capital Environment Energy Co., Ltd. (都昌首創環保能源有限公司)	Duchang Solid Waste Incineration Power Generation Plant (都昌生活垃圾焚燒發電項目)	Duchang, Jiujiang, Jiangxi	Duchang People's Government (都昌縣人民政府)	26 years after obtaining the approval for construction	800 tonnes	96 million kWh	232,518	-
Others*							2,525,126	1,653,836
							<b>6,928,061</b>	<b>5,261,232</b>

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

### 13. CONTRACT ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Contract assets arising from:		
Construction services	2,777,197	3,187,173
Electricity generation	140,323	42,493
Impairment	<u>(1,516)</u>	<u>–</u>
	<u><b>2,916,004</b></u>	<u><b>3,229,666</b></u>
 Analysed into:		
Current assets	208,820	123,917
Non-current assets	<u>2,707,184</u>	<u>3,105,749</u>
	<u><b>2,916,004</b></u>	<u><b>3,229,666</b></u>

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

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of construction and acceptance by the grantor, the amounts recognised as contract assets are reclassified to concession financial assets or other intangible assets for construction services under service concession arrangements and to trade receivables for other construction services. The increase in contract assets was the result of the increase in the provision of construction services during each of the years.

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Within one year	2,775,681	2,837,334
After one year	<u>–</u>	<u>349,839</u>
Total contract assets	<u><b>2,775,681</b></u>	<u><b>3,187,173</b></u>

As at 31 December 2021, the probability of default applied ranging from 0.08% to 2.03% and the estimated loss given default of 45% were applied to determine the impairment of contract assets in relation to concession financial assets arising from construction services. The impairment of RMB1,516,000 was recognised during the year. The loss allowance was assessed to be limited as at 31 December 2020.

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

#### 14. TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	1,668,803	1,518,259
Impairment	<u>(30,157)</u>	<u>(18,614)</u>
	<u><b>1,638,646</b></u>	<u>1,499,645</u>
Analysed into:		
Current assets	1,444,970	1,132,849
Non-current assets	<u>193,676</u>	<u>366,796</u>
	<u><b>1,638,646</b></u>	<u>1,499,645</u>

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
0 to 90 days	817,594	540,743
91 to 180 days	171,264	200,450
Over 180 days	<u>649,788</u>	<u>758,452</u>
	<u><b>1,638,646</b></u>	<u>1,499,645</u>

#### 15. ASSETS CLASSIFIED AS HELD FOR SALE

On 1 September 2021, the Group signed a disposal agreement with the non-controlling shareholder of Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited (“Jiangsu Subei”, 江蘇蘇北廢舊汽車家電拆解再生利用有限公司), to dispose of all interests held by the Group. Jiangsu Subei engages in the recycling and disassembly of waste electrical and electronic equipment. The Group has decided to cease its business because it plans to focus its resources on waste treatment infrastructure development business. The disposal of Jiangsu Subei is due to be completed before 31 December 2022. Jiangsu Subei was classified as a disposal group held for sale.

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Assets held for sale	<u><b>479,939</b></u>	<u>–</u>

In accordance with HKFRS 5, assets held for sale with a carrying amount of RMB508,818,000 were written down to their fair value of RMB479,939,000, less limited costs to sell, resulting in a loss of RMB28,879,000, which was included in profit or loss for the year. Accordingly, the related liabilities with a carry amount of RMB195,836,000 were reclassified as held for sale.

Besides, the Group also has assets classified as held for sale, including vehicles, trucks and tankers which are built for the purpose of waste management of BCG NZ and are sold to sub-contractors/owner-drivers operating on BCG NZ's behalf. These assets are expected to be sold within the next twelve months. As at 31 December 2021, the Group classified these assets as held-for-sale assets with the disposal price of RMB11,025,000 at the carrying amount of RMB8,948,000 (2020: with the disposal price of RMB7,625,000 at the carrying amount of RMB3,901,000). The group also has freehold land to be sold in New Zealand with the disposal price of RMB12,345,000 according to the sale contract, at the carrying amount of RMB3,188,000 as at 31 December 2021.

## 16. TRADE PAYABLES

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

	<b>2021</b> <b>RMB'000</b>	2020 <b>RMB'000</b>
0 to 90 days	<b>1,263,743</b>	1,240,274
91 to 180 days	<b>16,166</b>	116,066
Over 180 days	<b>783,087</b>	496,889
	<b><u>2,062,996</u></b>	<u>1,853,229</u>

Included in the trade payables are amounts of RMB448,000 (2020: RMB97,000) and RMB2,800,000 (2020: RMB4,659,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

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

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2021			2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
<b>Current</b>						
Bank loans – secured	3.85	2022	20,000	4.35-4.57	2021	27,950
Bank loans – unsecured	1.45-5.00	2022	922,132	1.29-4.35	2021	790,050
Current portion of long term						
bank loans – secured	1.52-5.15	2022	264,810	4.20-5.15	2021	223,397
bank loans – unsecured	1.37-1.68	2022	580,412	1.37-2.61	2021	7,266
other loans – secured	3.46-6.15	2022	241,732	4.89-6.15	2021	134,391
other loans – unsecured	4.00	2022	1,930,940	5.50	2021	2,677,118
			<b><u>3,960,026</u></b>			<u>3,860,172</u>
<b>Non-current</b>						
Other secured bank loans	1.52-5.15	2023-2038	6,317,784	4.20-5.15	2023-2038	2,903,090
Other unsecured bank loans	1.37-4.10	2022-2036	404,683	1.37-3.93	2022-2036	712,272
Other loans – secured	3.46-6.15	2023-2029	931,131	3.46-6.15	2023-2026	1,124,612
Other loans – unsecured	1.20-3.56	2024-2031	117,000	1.20-3.56	2024-2031	117,000
			<b><u>7,770,598</u></b>			<u>4,856,974</u>
			<b><u>11,730,624</u></b>			<u>8,717,146</u>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	1,787,355	1,048,663
In the second year	358,272	870,453
In the third to fifth years, inclusive	3,325,594	1,014,508
Beyond five years	3,038,600	1,730,401
	<u>8,509,821</u>	<u>4,664,025</u>
Other borrowings repayable:		
Within one year	2,172,672	2,811,509
In the second year	743,700	235,653
In the third to fifth years, inclusive	225,044	922,924
Beyond five years	79,387	83,035
	<u>3,220,803</u>	<u>4,053,121</u>
	<u><u>11,730,624</u></u>	<u><u>8,717,146</u></u>

*Notes:*

- (1) Bank loans of RMB234,130,000 as at 31 December 2021 (31 December 2020: RMB326,139,000) were guaranteed by the corporate guarantee of the Group.
- (2) Bank loans of RMB942,022,000 as at 31 December 2021 (31 December 2020: RMB809,207,000) were secured by the service concession arrangements of the Group.
- (3) Bank loans of RMB3,163,366,000 as at 31 December 2021 (31 December 2020: RMB1,658,514,000) were guaranteed by the corporate guarantee of the Group, and were secured by the service concession arrangements of the Group.
- (4) A bank loan of RMB158,346,000 as at 31 December 2021 (31 December 2020: RMB173,346,000) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司).
- (5) Other loan of RMB69,000,000 (31 December 2020: 69,000,000) from CDM Fund as at 31 December 2021 was secured by the service concession arrangement in Fuzhou Capital Haihuan Environmental Technology Co., Ltd (福州首創海環環保科技有限公司).
- (6) Bank loans of RMB202,327,000 as at 31 December 2021 (31 December 2020: RMB182,801,000) were guaranteed by a corporate guarantee of the Group, and were secured by the leasehold land and buildings with a carrying amount of RMB55,121,000 (31 December 2020: RMB96,176,000).
- (7) Other loan of RMB47,990,000 from Beijing Guozi Financial leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 31 December 2021 (31 December 2020: RMB65,195,000) was secured by the service concession arrangement in Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司).

- (8) Other loan of RMB155,873,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2021 (31 December 2020: RMB124,808,000) was guaranteed by a corporate guarantee of the Group, and was secured by the service concession arrangement in Duyun Capital Environment Company Limited (都勻市首創環保有限公司) and Renqiu Capital Environmental Treatment Co., Ltd. (任丘首創環境治理有限公司).
- (9) Other loan of RMB900,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 31 December 2021 (31 December 2020: RMB1,000,000,000) was guaranteed by a corporate guarantee of Beijing Capital Group Co., Ltd., the ultimate holding company of the Company.

Included in other borrowings is a loan of NZ\$319,000,000 (equivalent to approximately RMB1,376,405,000) from BCG Chinastar International Investment Limited (“BCG Chinastar”) which is unsecured, bears interest at 4% per annum and has the maturity date on 31 May 2022. The borrowing was with amount of NZ\$570,000,000 (equivalent to approximately RMB2,677,188,000) as at 31 December 2020.

Included in other borrowings is a loan of HK\$686,000,000 (equivalent to approximately RMB554,535,000) from Beijing Capital (Hong Kong) Limited (“Beijing Capital (HK)”), which is unsecured, bears interest at 4% per annum and has the maturity date on 20 June 2022.

Included in bank loans is a loan of US\$300,000,000 (equivalent to approximately RMB1,902,403,000) from the Financial Institutions (the financial institutions which include Bank of China (Hong Kong) Limited as agent, The Hongkong and Shanghai Banking Corporation Limited as coordinator, and other banks), which is secured by a corporate guarantee of Beijing Capital Eco-Environment Protection Group Co., Ltd. (formerly known as Beijing Capital Co., Ltd.), the intermediate holding company of the Company, bears interest at floating interest rate of LIBOR+1.40% per annum and has the maturity date on 31 August 2024.

As at 31 December 2021, the Group had undrawn borrowing facilities amounting to RMB3,286,253,000 (2020: RMB2,158,428,000).

As at 31 December 2021, the Group’s bank and other loans of RMB3,242,713,000 were charged at fixed interest rates while RMB8,487,911,000 were charged at floating interest rates. The carrying amounts of the Group’s current borrowings approximate to their fair values.

## 18. NOTES PAYABLE

On 11 September 2018 and 18 October 2018, the Group issued notes in an aggregate principal amounts of US\$250 million (equivalent to RMB1,715,800,000) and US\$50 million (equivalent to RMB343,160,000) with a total discount of US\$896,000 (equivalent to RMB6,147,000), respectively. These two tranches of notes form a single series which is listed on the Stock Exchange of Hong Kong Limited. The net proceeds after deducting the transaction costs of RMB7,371,000 were RMB2,045,442,000. These notes bear interest from 11 September 2018 at 5.625% per annum payable semi-annually in arrears on 11 March and 11 September of each year, beginning on 11 March 2019. These notes were redeemed at their principal amount on 10 September 2021.

## 19. PREFERENCE SHARES

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

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

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

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

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

## 20. BUSINESS COMBINATIONS

On 9 September 2021, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司, “Capital Investment”), an indirectly wholly-owned subsidiary of the Company, acquired an 85.64% interest in Zhumadian ECO-WASTE Technology Co., Ltd. (Zhumadian ECO, 駐馬店泰來環保能源有限公司) from a third party. Zhumadian ECO is engaged in waste treatment and waste-to-energy generation services. The acquisition was made as part of the Group’s strategy to expand its market share of waste treatment and waste-to-energy generation in Mainland China. The consideration for the acquisition is RMB238,100,000, with RMB187,480,000 paid by the end of this year.

Since the acquisition, Zhumadian ECO contributed RMB209,792,000 to the Group's revenue and RMB20,523,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB7,907,742,000 and RMB573,642,000, respectively.

## 21. DISPOSAL OF A SUBSIDIARY

On 27 July 2021, the Group signed a disposal agreement with a third party to dispose of all its interest in Jinzhong Capital Environment Resources Limited ("Jinzhong Capital", 晉中市首創環和環保能源有限公司). Jinzhong Capital engages in kitchen waste treatment. The disposal of Jinzhong Capital was completed on 28 December 2021. Details of this disposal are as below:

	<b>2021</b> <b>RMB'000</b>
Net assets disposed of:	
Other intangible assets	16,793
Concession financial assets	36,883
Cash and cash equivalents	5,599
Trade receivables	824
Prepayments, deposits and other receivables	4,418
Inventories	197
Trade payables	(4,771)
Other payables and accruals	(32,174)
Deferred income	(5,640)
Deferred tax liabilities	(5,079)
	<hr/>
	17,050
Loss on disposal of a subsidiary ( <i>note 5</i> )	<hr/> <hr/> (7,550)
Satisfied by:	
Cash	4,500
Cash consideration recorded in other receivables	5,000
	<hr/> <hr/>

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

	<b>2021</b> <b>RMB'000</b>
Cash consideration	4,500
Cash and bank balances disposed of	(5,599)
	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<hr/> <hr/> (1,099)

## MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, as the world economy continued to be impacted by the rapid mutations and new changes of COVID-19, most countries suffered a slowdown in economic growth and rising inflation, with sharp declines in trade and cross-border investments and dramatic volatility of commodity prices, which brought more uncertainties to the global economy. In response, major economies around the world have successively adopted a mix of fiscal and monetary policies to ease the predicament, boost economy and enhance the pace of recovery. Against this backdrop, China proactively promoted economic reform and adopted countermeasures. Specifically, China has moved to rely on “internal circulation” (i.e. domestic demand) to maintain growth momentum and expand “external circulation” (i.e. foreign trade) to enhance economic links with outside world so as to form a new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay; and give play to the role of the “Regional Comprehensive Economic Partnership” 《區域全面經濟夥伴關係協定》 to promote global and regional economic governance and the recovery and growth of world economy, achieving high-quality economic development.

The year of 2021 marks the beginning of the “14th Five-Year Plan” of China. At the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China, the Chinese government proposed to promote green, circular and low-carbon development, comprehensively facilitate the development of green economy and environmental protection industry, and win the battle against pollution by implementing three major action plans to prevent and control air, water and soil pollution, thereby preserving blue skies, clear waters and clean soil. In addition, at an important meeting of the Chinese government on achieving carbon peak and neutrality goals, Mr. Xi Jinping, General Secretary of the CPC Central Committee, emphasised that achieving carbon peak and neutrality is an inherent requirement for implementing the new development philosophy, fostering a new pattern of development and pursuing high-quality development. In future, the Chinese government is set to fully apply the new development philosophy, unswervingly follow the path of high-quality development that prioritizes ecological preservation and boosts green and low-carbon development, increase its efforts to promote comprehensive green transformation in economic and social development, establish a sound green, low-carbon circular economic development system, promote adjustment of industrial structure and energy structure continuously, launch the national carbon trading market, accelerate the development of a policy framework for carbon peaking and neutrality, and enhance its strategic thinking on the four sets of relationships including between development and emissions reduction, between overall and local imperatives, between long-term and short-term goals and between government and market, and deliver its commitment to achieve “carbon peaking” by 2030, “carbon neutrality” by 2060. The strategic plans set out above demonstrate the resolve of the Chinese government to promote ecological progress with unprecedented efforts, and set the keynote for the transition towards a green economy. As such, it is expected that the ecological and green development industry will see historical, transformative and across-the-board positive changes in the future.

In the midst of China’s booming green economy and burgeoning environmental protection industry, the Group has actively aligned itself with national strategies to grasp market opportunities, and fully implemented the “14th Five-Year Plan” period-specific strategy and the overall deployment of “Eco+2025” strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. (formerly known as “Beijing Capital Co., Ltd”) (“Capital Eco Group”), a substantial shareholder of the Company. In particular, the Company has put into practice the development philosophy that highlights core concept, basic strategy and key organizational capability, pursued the strategic initiatives on synergistic integration, transformation and upgrading, and deepening urban presence and embracing multiple values and, with a focus on capacity building and technological innovation, created a diversified value driver of “investment + capability + service” to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to achieve a multi-business portfolio covering “water, solid waste, air and energy” environmental services. In addition, the Group has been exploring further possibilities of waste recycling, waste-to-energy and AI-based operations for its business so as to extend its business value chain, fully exploit its management advantages as a company group, and promote the rapid improvement of operating efficiency, ultimately achieving the strategic goals of helping clients succeed, innovating services, operating with integrity and sharing responsibilities and benefits.

As the Chinese saying goes, no excellence can be acquired without constant practice. During the year, the Group maintained sound growth momentum in its operations through capacity building and efficiency improvement. The Group’s total assets amounted to RMB26,173 million representing a year-on-year increase of 8.79%; turnover amounted to RMB7,903 million, representing a year-on-year increase of 3.35%; profit for the year amounted to RMB573 million, representing a year-on-year increase of 15.57%; and net profit attributable to the parent company amounted to RMB511 million, representing a year-on-year increase of 9.83%.

In terms of domestic market, as at 31 December 2021, the Group had secured a total of 69 asset-heavy projects (including 26 waste-to-energy projects, 7 waste landfill projects, 6 anaerobic digestion treatment projects, 17 waste collection and transportation projects, 9 hazardous waste treatment projects, 2 waste electrical appliances dismantling projects and 2 biomass electricity generation projects) with a total investment of approximately RMB18,790 million, of which RMB15,308 million had been injected as at 31 December 2021. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 14.37 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.20 million units. The said projects have gradually entered the construction and operation period. As at 31 December 2021, there were 64 domestic projects either under construction or in operation. In terms of the asset-light business, the Group secured a total of 13 projects in the PRC as at 31 December 2021, including 7 environmental sanitation projects and 6 site restoration projects.

In terms of overseas market, the Group held 51% equity interests in BCG NZ Investment Holding Limited (“BCG NZ Group”). BCG NZ Group provides comprehensive waste management services in New Zealand, including waste collection, recycling and disposal of hazardous and industrial waste, and serves more than 300,000 customers in major cities of New Zealand, such as Auckland, Wellington and Christchurch, with a market share of nearly 40%, maintaining its leading position in New Zealand.

### **Successful market expansion:**

The Group has developed a mix of asset-light and asset-heavy operations. In respect of the asset-heavy business, the Group fully explored the demand for collaboration in waste treatment services, actively promoted the investment strategy of regional collaboration and industry collaboration, and ensured the implementation of waste incineration power generation projects. The Group secured two new projects, namely the PPP project in relation to comprehensive harmless treatment and recycling of solid waste in Zhumadian City, Henan Province and the waste incineration power generation project in Yingde City, Guangdong Province. In respect of the asset-light business, the Group has been actively developing its environmental sanitation business and site restoration business by optimizing its investment standards, riding on market opportunities and ensuring the implementation of key projects. The environmental sanitation business signed 7 new projects were signed with an annual contracted service fees of approximately RMB127 million in aggregate; and the site restoration business signed 6 new project with an aggregate contract sum of approximately RMB110 million. In addition, the Group continued to improve its standardized investment management system and strengthen its business expansion capabilities. Specifically, the Group (i) straightened up and improved its rules and regulations to standardize its investment management; (ii) launched the investment execution information system to effectuate online management of project investment; (iii) optimized its investment estimation model and developed an online self-service estimation system; (iv) promoted investment expansion and review standardization to improve business capabilities; (v) organized training for investment personnel to improve the skills and capabilities of the investment team; (vi) established a project review mechanism to provide guidance on investment management; and (vii) established a post-investment supervision system to consolidate life-cycle management.

### **Increasing standardisation of construction management:**

The Group enhanced the standardization of construction management and accelerated the integration of construction management resources, laying a foundation for sustainable development. During the year, the Group had a total of 17 construction projects, of which 10 projects were completed and put into trial operation and 5 projects were completed and delivered. In addition, the Group has applied for national subsidies for a number of projects, including Nanyang, Xinxiang, Zhengyang, Qianjiang, Suichuan, Shenzhou, Yutian and Yongji projects. Meanwhile, the Group has taken a series of measures to reduce costs and increase efficiency: in respect of construction costs, the Group has prepared and implemented the “Guidelines for Settlement Management of Construction Projects upon Completion” 《建設工程竣工結算管理導則》 and the “Guidelines for Budget Management of Construction Drawings of Construction Projects” 《建設工程施工圖預算管理導則》, and finished the completion procedures and settlement of 21 projects and 38 contracted bid sections; in respect of centralized procurement, the Group has established a procurement management department to develop a procurement management system, implement the centralized procurement program, and co-ordinate various purchasing activities. During the year, the Group implemented the centralized procurement of cables, air compressors and fly ash solidification (using chelating agents) services.

### **Optimization and enhancement of operation management:**

The Group has established a coordination mechanism at the project level to drive profit growth and enhance operating efficiency of its projects. During the year, incineration projects including Ruijin, Zhengyang and Xinxiang projects, and Lushan biomass project officially commenced commercial operation upon being approved. The volume of waste treated at our existing projects further increased, with an additional 1,040 tons per day of waste contracted during the year. The on-grid power generation of our waste-to-energy projects increased by 12% year on year. In respect of subsidy collection and adjustment, subsidy adjustments for Hangzhou kitchen waste treatment project and Lushan waste collection and transportation project were completed. In respect of technical reform, the Group issued the “Management Measures for the Implementation of Technical Reform” 《技改工作實施管理辦法》 to set out the process of implementing a technical reform, approved or filed 53 applications for technical reforms of projects, and completed the technical reform and optimization of the incineration boiler in Nanchang project during the year.

### **Solid foundation for technological innovation:**

The Group comprehensively promoted the key tasks such as construction of the technological innovation management system, management of research projects as well as research and development of major technological projects. In terms of system construction, the preparation of “Implementation Plan for Technological Innovation of Capital Environment Holdings Limited” 《首創環境控股有限公司科技創新實施方案》 has been completed, marking the further improvement of the Group’s technological innovation initiatives, and putting the scientific exploration on its trajectory. In terms of major technology research and development projects, the project of “Research, Development and Demonstration of Key Technologies for Emission Reduction and Cost Reduction in Solid Waste Incineration” 《生活垃圾焚燒減排與降本關鍵技術研發與示範》 progressed smoothly, with a survey and analysis report on the impact of waste separation on the incineration projects being completed. For the “Technology Research on Ultra-low Emission of NO<sub>x</sub> Flue Gas Based on Temperature Measurement by Acoustic Wave (基於聲波測溫的煙氣NO<sub>x</sub>超低排放技術研究)”, installation tests had been conducted on the incinerators in Lushan project and Qixian project. For the “Study on the Development and Application of HDH Process for Waste Leachate Concentrate (垃圾滲濾液濃縮液HDH工藝開發應用研究)”, the pilot scheme design and main equipment procurement had been completed. At the same time, the Group deeply explored synergistic demands of project, and promoted vertical synergies, horizontal linkages and mutual complementation of regional projects, aiming at synergistic extension and expansion of the industrial chain. Research was conducted on process routes, interface conditions for technology synergy as well as investment and operation costs.

The Group adheres to the path of steering market by virtue of technology and expanding market presence leveraging on technology. Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司) (hereinafter referred to as “Beijing Capital Technology”), a subsidiary of the Group, was recognized as “National High-tech Enterprise (國家高新技術企業)” and a small and medium-sized enterprise with “Specialty, Excellency, Uniqueness and Innovation (專精特新)” in Beijing. It was also included in the “2020-2022 Pilot Units for Intelligent Property Rights in Beijing(2020-2022年度北京市知識產權試點單位)”, “Innovative and Entrepreneurial Enterprises at Infant Stage (創新創業型苗圃企業)” in Shunyi District, Beijing, and “Leaders in Site Restoration Segment (場地修復細分領域領跑企業)” in 2021, etc. Beijing Capital Technology had over 60 patents, participated in the preparation of 2 group standards, and compiled 3 enterprise standards which have been filed with relevant authorities. The PPP project on Huainan old landfill was included in the projects under the Science and Technology Plan of the Department of Housing and Urban-Rural Development of Anhui Province. High-efficiency screening technology and complete sets of equipment for perishable wastes were included in the “Catalogue of Major Environmental Protection Technology and Equipment Encouraged for Development by the State (2020 Edition)(《國家鼓勵發展的重大環保技術裝備目錄(2020版)》)”. The “Fast (Aerobic) Stabilization Treatment Solution for Domestic Waste Landfill (生活垃圾填埋場快速(好氧)穩定化處理解決方案)” passed the new technology and new product accreditations of Beijing.

#### **Diversified financing methods:**

The Group realized the refinement and automation of capital management through information technology to enhance the efficiency of capital management and maximize the effectiveness of capital use. In addition, the Group coordinated the capital needs and financing progress, reduced capital cost, and integrated internal financial resources within the Group, thus achieving the operation goal of “three reductions, one decrease and one enhancement (三降一減一提升)”.

The Group actively explored various financing options that are beneficial to the shareholders of the Company, comprehensively considered the short-, medium- and long-term capital needs, and utilized various financing methods to provide sufficient funds for future investments. During the year, the Group continued to expand its equity financing by increasing its authorised share capital to HK\$5,000 million (comprising HK\$3,368 million of ordinary shares and HK\$1,632 million of preference shares). Meanwhile, the Group continued to approach various banks and investment institutions, and repaid the principal of and interest on the bonds in the amount of US\$300 million during the year. In addition, the Group completed the refinancing of HK\$700 million for various large financing facilities that were about to mature during the year. During the year, the Group secured RMB6,254 million of banking facilities in total, of which RMB2,730 million was granted to the Group’s headquarters and RMB3,524 million was granted to various project companies.

## Environmental, Social and Governance Performance:

### *The Group's environmental policies and performance:*

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

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

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

	<b>Total</b>
Domestic waste disposal	5.9225 million tonnes
Hazardous waste disposal	12,000 tonnes
On-grid electricity provided	1.151 billion kWh

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

The Group operate its projects in strict compliance with the relevant laws and regulations. The major regulations applicable to the Group's projects include the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste 《中華人民共和國固體廢物污染環境防治法》, the Regulations on Administration of Recovery and Disposal of Waste Electrical and Electronic Products 《廢棄電器電子產品回收處理管理條例》, the Labour Law of the People's Republic of China 《中華人民共和國勞動法》, the Labour Contract Law of the People's Republic of China 《中華人民共和國勞動合同法》, the Production Safety Law of the People's Republic of China 《中華人民共和國安全生產法》, the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases 《中華人民共和國職業病防治法》, the Regulation on Work-Related Injury Insurances of the People's Republic of China 《中華人民共和國工傷保險條例》, the Law of the People's Republic of China on the Protection of Minors 《中華人民共和國未成年人保護法》, the Tentative Provisions on Payment of Wages 《工資支付暫行規定》, the Company Law of the People's Republic of China 《中華人民共和國公司法》, the Standard for Pollution Control on Municipal Solid Waste Incineration 《生活垃圾焚燒污染控制標準》, Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》, Anti-Money Laundering Law of the People's Republic of China 《中華人民共和國反洗錢法》, the Bidding Law of the People's Republic of China 《中華人民共和國招標投標法》. In 2021, the Group did not record any material losses and impacts arising from non-compliance with the above regulations.

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

### *Employees*

The Group highly values the contribution and dedication of its employees and understands that sound operation efficiency relies on the joint efforts of all employees. The Group pursues development with capital, talents and culture as its driving forces, and strives to create a healthy and pleasant working environment for employees, allowing the employees to work efficiently. Meanwhile, the Group continuously explores the human resources management model, establishes a competitive remuneration mechanism, and provides employees with attractive remuneration packages. In addition, the Group continues to invest in the career development of its employees and forge a talent management ladder to build a diverse, inclusive and industry-leading team.

### *Customers*

It is the Group's top priority to provide customers with high-quality, efficient and safe services. In adherence to the customer-oriented business philosophy, the Group takes customer satisfaction as the primary principle, continuously improves its services and caters for customer needs, aiming to build a sustainable ecosystem in which customers and partners cooperate closely for long-term value. The Group has developed the "Measures on Management and Operation of Projects" 《項目運營管理辦法》 and a series of policies on product liability to regulate the management and operation process.

## *Suppliers*

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

## **Business outlook**

Looking forward, the Group will fully implement the "14th Five-Year Plan" period-specific strategy and the deployment of "Eco+2025" strategic iteration of Beijing Capital Eco Group. In adherence to the general keynote of "forging ahead and promoting stability with progress", the Group will carry through the working concepts of "seeking development through integration and inspiring advancement through development", actively accelerate the construction of technology, operation and management capabilities, and promote business development, transformation and upgrading, thereby ensuring the steady growth of revenue and profit and the continuous improvement of development quality. As for the waste incineration business segment, the Group will strive to improve its operating results through technological innovation, technological renovation and continuous lean production and operation. As for the site restoration business segment, it will leverage on the opportunities for business development to expand market share. As for the environmental sanitation business segment, the Group will further refine the operation and management of projects, focus on high-quality major projects, promote the building of city-oriented companies, and plan for the systematic development of future business in the region where it operates, aiming to become an urban environmental protection service enterprise that "serves a city". In addition, with technological innovation as the guide and core competence building as the main line, the Group will continue to optimize its asset structure, carry out in-depth refinement management, make an all-out effort and forge ahead with determination, cementing a solid foundation for high-quality development. Following the corporate vision of "a trustworthy leader in environmental sustainability", the Group will devote its efforts in promoting ecological prosperity, economic prosperity and social prosperity, so as realize the harmonious coexistence of human and nature.

## **FINANCIAL REVIEW**

### **Overview**

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business was RMB7,902,604,000. Profit attributable to owners of the Group in 2021 was RMB510,746,000, representing an increase of approximately 9.83% as compared to RMB465,041,000 in 2020. The increase in profit was mainly due to the continuous investment in construction and operation of domestic projects, which drove the growth of construction and operating profits respectively.

The finance costs of the Group saw an increase of approximately 4.65% to approximately RMB580,502,000 as compared to that of 2020, which was mainly due to the issuance of RMB1 billion corporate bonds by the Company in 2020.

## **Financial Position**

As at 31 December 2021, the Group had total assets of approximately RMB26,173,239,000, and net assets attributable to owners of the Company were approximately RMB6,210,896,000. As at 31 December 2021, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 70.52%, a slight increase of 0.4% from 70.12% as at the end of 2020. The current ratio (which is calculated on the basis of current assets over current liabilities) increased from approximately 0.71 as at 31 December 2020 to approximately 0.87 as at 31 December 2021. The increase was mainly due to the US\$300 million bonds were replaced by a three-year syndicated US dollar loan in September 2021.

## **Financial Resources**

The Group finances its operations primarily with internally generated cash flow, equity financing, debt financing and loan facilities from banks. As at 31 December 2021, the Group had cash and bank balances and pledged bank deposits of approximately RMB1,720,491,000, representing a decrease of approximately RMB1,096,753,000 as compared to approximately RMB2,817,244,000 at the end of 2020. The decrease was mainly attributable to infrastructure payments under service concession arrangements, investments in new projects and day-to-day operating expenses during the year under review. Having considered the Company's operating and investment plans, the Company is of the view that its current financial resources are sufficient to meet its operating and investment needs. Currently, most of the Group's cash is denominated in US\$, HK\$, RMB and NZ\$.

## **Borrowings**

As at 31 December 2021, the Group had outstanding borrowings of approximately RMB11,730,624,000, representing an increase of approximately RMB3,013,478,000 as compared to approximately RMB8,717,146,000 at the end of 2020. The borrowings comprised secured loans of approximately RMB7,775,457,000 and unsecured loans of approximately RMB3,955,167,000. The borrowings are denominated in HK\$, RMB, US\$ and NZ\$. Approximately 27.6% and 72.4% of the borrowings bear interest at fixed rate and variable rate, respectively.

## **Foreign Exchange Exposure**

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

## **Pledge of Assets**

As at 31 December 2021, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements, bank balances of RMB3,026,000 and leasehold land and buildings of RMB55,121,000.

Pledged bank deposits RMB34,720,000 for service concession arrangements were required by the local governments for securing the progress of certain BOT projects.

## **Commitment Arrangements**

As at 31 December 2021, the Group had commitments of approximately RMB1,070,619,000 and RMB153,546,000 in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

## **Contingent Liabilities**

As at 31 December 2021, the Group provided guarantees of approximately RMB341,888,000 to the government authorities of New Zealand in respect of the continuous operation or the fulfillment of required operating standards of the landfill sites and performance guarantees of approximately RMB204,605,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

## **Employee Information**

As at 31 December 2021, the Group had about 5,175 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's remuneration policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code for dealing in securities of the Company by the directors of the Company. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all the directors have confirmed that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the year under review.

## **REVIEW OF ACCOUNTS**

The audit committee of the Company has reviewed the Group's consolidated financial statements for the year ended 31 December 2021, including the accounting principles and practices adopted by the Group.

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

The figures set out in the preliminary announcement of the Group's results for the year ended 31 December 2021 in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and their related notes have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This annual results announcement will be published on the websites of the Company (www.cehl.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2021 will be dispatched to shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board of  
**Capital Environment Holdings Limited**  
**Cao Guoxian**  
*Chairman*

Hong Kong, 29 March 2022

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