CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03989)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

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 2024 together with the comparative figures for the year ended 31 December 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	4	**3,666,591**	4,076,596
Cost of sales		**(2,357,495)**	(2,689,827)
Gross profit		**1,309,096**	1,386,769
Other income and gains	4	**106,295**	84,495
Selling expenses		**(14,452)**	(28,856)
Administrative expenses		**(393,378)**	(379,828)
Other expenses		**(96,023)**	(216,405)
Impairment losses on financial and contract assets, net		**(152,458)**	(112,946)
Finance costs	6	**(425,156)**	(440,919)
Share of profits of associates		**4,861**	3,614
PROFIT BEFORE TAX	5	**338,785**	295,924
Income tax expense	7	**(68,215)**	(37,535)
PROFIT FOR THE YEAR		**270,570**	258,389

	Notes	**2024**	2023
		RMB'000	*RMB'000*
Attributable to:			
Owners of the parent		**234,123**	285,380
Non-controlling interests		**36,447**	(26,991)
		270,570	258,389
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB1.64 cents**	RMB2.00 cents
Diluted	*9*	**RMB1.64 cents**	RMB2.00 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2024

	Notes	**31 December 2024** *RMB'000*	31 December 2023 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**482,482**	525,001
Right-of-use assets		**61,873**	74,489
Goodwill		**6,055**	6,055
Other intangible assets	*10*	**4,744,501**	4,803,394
Investments in associates		**56,686**	41,388
Trade receivables	*13*	**–**	78,853
Equity investment designated at fair value through other comprehensive income		**–**	200
Deferred tax assets		**65,185**	46,443
Concession financial assets	*11*	**7,685,079**	7,797,224
Contract assets	*12*	**376,999**	469,620
Prepayments, other receivables and other assets		**184,522**	107,275
Pledged deposits		**5,746**	6,849
Total non-current assets		**13,669,128**	13,956,791
CURRENT ASSETS			
Inventories		**89,743**	77,616
Concession financial assets	*11*	**1,665,781**	1,631,688
Contract assets	*12*	**1,204,044**	910,285
Trade receivables	*13*	**2,580,311**	2,000,260
Prepayments, other receivables and other assets		**975,034**	1,015,087
Pledged deposits		**37,198**	33,628
Cash and cash equivalents		**659,298**	661,811
Total current assets		**7,211,409**	6,330,375

	Notes	**31 December 2024** *RMB'000*	31 December 2023 *RMB'000*
CURRENT LIABILITIES			
Trade payables	*14*	**1,603,234**	1,650,810
Other payables and accruals		**257,671**	261,067
Deferred income		**17,601**	17,047
Interest-bearing bank and other borrowings	*15*	**3,040,100**	1,364,343
Corporate bonds		**–**	–
Lease liabilities		**–**	21,911
Amounts due to related parties		**268,000**	141,012
Tax payable		**60,404**	71,879
Total current liabilities		**5,247,010**	3,528,069
NET CURRENT ASSETS		**1,964,399**	2,802,306
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,633,527**	16,759,097
NON-CURRENT LIABILITIES			
Deferred income		**333,344**	297,554
Interest-bearing bank and other borrowings	*15*	**7,607,111**	9,107,701
Deferred tax liabilities		**701,602**	657,977
Total non-current liabilities		**8,642,057**	10,063,232
Net assets		**6,991,470**	6,695,865
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**1,275,167**	1,275,167
Reserves		**5,386,304**	5,154,223
		6,661,471	6,429,390
Non-controlling interests		**329,999**	266,475
Total equity		**6,991,470**	6,695,865

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

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

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

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE, OTHER INCOME AND GAINS

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

Revenue

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

(i) Revenue from contracts with customers

Disaggregated revenue information:

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

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

(ii) Performance obligations

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

Construction services under service concession arrangements

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

Operation services under service concession arrangements

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

Construction services not under service concession arrangements

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

Operation services not under service concession arrangements

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

Electronic appliance dismantling

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

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

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

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

Other income and gains

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

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

5. PROFIT BEFORE TAX

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

	Notes	**2024** **RMB'000**	2023 RMB'000
Cost of services rendered for service concession arrangements		**1,622,565**	1,785,197
Cost of other services provided		**662,731**	626,026
Cost of inventories sold		**72,199**	278,604
Depreciation*			
– Property, plant and equipment		**57,941**	62,797
– Right-of-use assets		**12,616**	11,859
Amortisation of other intangible assets*	*10*	**193,991**	219,866
Research and development costs		**53,218**	42,740
Lease payments not included in the measurement of lease liabilities*		**5,872**	6,421
Auditor's remuneration			
– Audit services		**3,897**	3,804
– Non-audit services		**1,579**	1,451
Employee benefit expense (excluding directors' emoluments			
– Wages and salaries		**149,454**	145,015
– Pension scheme contributions		**49,921**	71,797
Foreign exchange differences, net		**793**	(7,861)
Impairment of financial and contract assets, net:			
Impairment of trade receivables	*13*	**85,901**	36,585
Impairment of financial assets included in prepayments, other receivables and other assets		**1,135**	2,891
Impairment of concession financial assets		**25,092**	68,427
Impairment of contract assets		**40,330**	5,043
Impairment of property, plant and equipment#		**33,520**	6,834
Impairment of inventories		**–**	795
Impairment of other intangible assets#	*10*	**54,000**	197,800
Impairment of right-of-use assets#		**–**	3,638
Gain on termination of a lease contract		**–**	(2,838)
Loss on disposal of items of property, plant and equipment		**288**	22

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

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

6. FINANCE COSTS

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

7. INCOME TAX

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

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

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

In the opinion of the directors, it is not probable that the Group's Mainland China subsidiaries will distribute profits in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB3,646,467,000 (2023: RMB3,382,228,000).

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

8. DIVIDENDS

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

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

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 (2023: 14,294,733,167) outstanding during the year.

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

The calculation of basic earnings per share is based on:

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

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

10. OTHER INTANGIBLE ASSETS

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

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

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements are collectively disclosed in note 11.

Impairment testing of intangible assets in relation to service concession arrangements

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

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

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

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

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

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

In the opinion of the directors of the Company, a reasonably possible change in the key assumptions of the cash flow projections would cause its carrying amount exceed its recoverable amount. If the budgeted gross margin increased or decreased by 5%, the impairment loss would decrease or increase by RMB28,340,000 respectively, during the year ended 31 December 2024. If the discount rate increased or decreased by 5%, the impairment loss would increase by RMB1,541,000 or decrease by RMB1,618,000, respectively, during the year ended 31 December 2024.

11. CONCESSION FINANCIAL ASSETS

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

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

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

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

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 December 2024, the probability of default applied ranging from 0.08% to 1.98% (2023: 0.08% to 1.89%) and the loss given default was estimated to be 45% or 75% (2023: 45%), which led to an impairment of RMB25,092,000 (2023: RMB68,427,000) recognised during the year.

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

The Group recognised revenue from construction services of RMB339,823,000 (2023: RMB535,159,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB2,054,663,000 (2023: RMB1,925,332,000) for all the service concession arrangements of the Group (note 4). The gross profits recognised from construction services amounted to RMB85,569,000 (2023: RMB159,926,000) and the gross profits recognised from operation services amounted to RMB619,213,000 (2023: RMB464,365,000) for all the service concession arrangements of the Group.

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

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Balance as at 31 December 2024 *RMB'000*	Balance as at 31 December 2023 *RMB'000*
Huizhou Guanghui Energy Company Limited (惠州廣惠能源有限公司)	Huizhou Municipal Solid Waste Incineration Power Generation Plant (惠州市生活垃圾焚燒發電廠)	Luzhouzhen, Huicheng, Huizhou	Huizhou Environmental and Hygiene Control Authority (惠州市市容環境衛生管理局)	March 2018 to March 2047 (30 years)	1,600 tonnes	**1,102,813**	1,140,711
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant Phase II (南昌市垃圾焚燒發電廠－二期)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2022 to September 2049 (28 years)	1,200 tonnes	**737,855**	747,782
Zhumadian Tailai Capital Environmental Energy Co., Ltd. (駐馬店泰來環保能源有限公司)	Zhumadian Solid Waste Incineration Power Generation Plant (駐馬店生活垃圾焚燒發電處理項目)	Zhumadian, Henan	Zhumadian City Administration (駐馬店城市管理局)	30 years after obtaining the approval for construction	1,800 tonnes	**585,631**	585,142
Nanyang Capital Environment Technology Company Limited (the First Branch) (南陽首創環境科技有限公司第一分公司)	Solid Waste Incineration Power Generation Plant Project for Zhechuan, Xixia and Neixiang (淅川，西峽，內鄉三縣行政區域交界處合適位置共建生活垃圾焚燒發電項目)	Nanyang, Henan	Nanyang Housing and Urban-Rural Construction Commission (南陽市住房和城鄉建設委員會)	30 years after obtaining the approval for commercial operation	1,000 tonnes	**480,553**	492,317
Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司)	Nanchang Solid Waste Incineration Power Generation Plant (南昌市垃圾焚燒發電廠)	Quanling, Nanchang	Nanchang City Environment Administration (南昌市市環境管理局)	October 2016 to September 2041 (25 years)	1,200 tonnes	**461,822**	489,608
Xinxiang Capital Solid Environmental Energy Limited (新鄉市首創環境能源有限公司)	Xinxiang Solid Waste Treatment Project (新鄉市生活垃圾處理服務項目)	Xinxiang, Henan	Xinxiang City Administration (新鄉市城市管理局)	25 years after obtaining the approval for commercial operation	1,500 tonnes	**376,886**	385,322
Xiangxi Capital Environmental Energy Co., Ltd. (湘西自治州首創環保有限公司)	Jishou Solid Waste Incineration Power Generation Plant (吉首市生活垃圾焚燒發電處理項目)	Jishou, Xiangxi	Hunan Jishou Public Utilities Administration (吉首市公用事業管理局)	October 2019 to October 2049 (30 years)	1,000 tonnes	**372,723**	432,925
Qianjiang Capital Bolang Green Energy Limited (潛江首創博朗綠色能源有限公司)	Qianjiang Solid Waste Incineration Power Generation Project (潛江市生活垃圾焚燒發電項目)	Qianjiang, Hubei	Qianjiang City Administration (潛江市城市管理行政執法局)	April 2016 to April 2046	600 tonnes	**326,204**	333,467
Duyun Capital Environment Company Limited (都勻市首創環保有限公司)	Duyun Solid Waste Incineration Power Generation Plant (都勻市生活垃圾焚燒發電廠)	Duyun, Guizhou	Duyun People's Government (都勻市人民政府)	30 years after obtaining the approval for commercial operation	600 tonnes	**314,183**	317,996
Qixian Capital Environmental Energy Company Limited (杞縣首創環保能源有限公司)	Qixian Solid Waste Incineration Power Generation Plant (杞縣生活垃圾焚燒發電項目)	Qixian, Kaifeng	Qixian Urban Management Bureau (杞縣城管局)	28 years after obtaining the approval for commercial operation	600 tonnes	**301,824**	310,177
Nongan Capital Environmental Energy Co., Ltd. (農安首創環保能源有限公司)	Nong'an County Domestic Waste Incineration Power Generation Project (農安縣生活垃圾焚燒發電項目)	Nongan, Changchun City	Nong'an County Sanitation Office (農安縣環衛處)	30 years after obtaining the approval for construction	800 tonnes	**300,698**	303,143
Zhengyang Capital Environmental Energy Company Limited (正陽首創環保能源有限公司)	Zhengyang Solid Waste Incineration Power Generation Project (正陽縣生活垃圾焚燒發電項目)	Zhengyang, Zhumadian, Henan	Zhengyang Urban Management and Comprehensive Law Enforcement (正陽縣城市管理綜合執法局)	30 years after obtaining the approval for commercial operation	600 tonnes	**283,077**	288,647
Others*						**3,706,591**	3,601,675
						9,350,860	9,428,912

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

12. CONTRACT ASSETS

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

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

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

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

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

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

13. TRADE RECEIVABLES

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

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

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

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

14. TRADE PAYABLES

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

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

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

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

16. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2024, the transaction volume in the environmental protection market reached RMB783.5 billion[2], of which service projects accounted for 84% and asset-based projects accounted for 16%[3]. The market regards "dual carbon" goals as driving force and pursues technological upgrade, with the growth of the traditional environmental protection business slowing down, and the transaction volume of energy saving and dual carbon sectors increasing by 42% year-on-year[4]. The scale of the waste-to-energy market shrunk, with transaction volume decreasing by 23% compared to the previous year. Leading enterprises started to bring about technological renovation to existing operations, with the proportion of technological renovation investment rising to 25%[5]. Incineration enterprises achieved increased revenue from China Certified Emission Reduction (CCER) transactions, with the profits of carbon emission reduction per tonne of waste reaching RMB8 to RMB12[6]. In the field of urban and rural environmental sanitation, transaction volume reached RMB168.1 billion, with the penetration rate of new energy equipment exceeding 30%[7] and the coverage rate of intelligent management and control platforms surpassing 50%. Market competition became increasingly fierce, resulting in the industry's gross profit margins falling to 12% to 15% due to price wars[8]. Leading enterprises held higher market shares and demonstrated strong development momentum. In the site restoration sector, demand was unleashed, with transaction volume reaching RMB74.5 billion, representing a year-on-year increase of 18%[9]. Technical barriers gradually emerged, and for enterprises possessing specific technologies, their

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

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

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

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

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

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

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

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

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

bid-winning rate improved. The application of green restoration technologies increased to 35%, with energy consumption reduced by 40%[10]. The value of carbon sinks was explored, and the restoration project of saline-alkaline land generated income from carbon sink transactions. In the field of energy saving and dual carbon, the transaction volume of the industrial energy saving renovation exceeded RMB50 billion, with the iron and steel and chemical industries contributing 65%[11]; hydrogen-fueled sanitation vehicles were deployed in pilot areas, with the cost of the entire industry chain dropping by 30%[12]. Carbon capture demonstration projects for incineration plants were put into operation, with the cost of capture dropping to RMB300 per tonne[13]. The Ministry of Finance provided subsidies for Carbon Capture, Utilization and Storage (CCUS) projects, which facilitated the launch of pilot projects. Enterprises in various industries seized opportunities of dual carbon through the extension of the industrial chain.

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

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

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

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

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

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

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

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

Remarkable achievements in effectively tackling difficulties

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

Evident effect of comprehensively improving quality

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

Fruitful results in innovative increment

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

Significant achievements in systematic upgrade

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

Comprehensive safety system

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

Diversified financing methods

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

Environmental, Social and Governance Performance

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

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

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

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

Employees

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

Customers

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

Suppliers

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

Business outlook

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

FINANCIAL REVIEW

Financial Performance

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

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

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

Financial Position

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

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

Financial Resources

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

Details of the maturity profile of interest-bearing bank and other borrowings as at 31 December 2024 are set out in Note 15 to the financial statements.

Borrowings

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

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

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

Foreign Exchange Exposure

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

Pledge of Assets

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

As at 31 December 2024, bank deposits of RMB39,897,000 were mainly bank balances pledged to secure service concession arrangements as required by the local governments.

Capital Commitment Arrangements

As at 31 December 2024, the Group had capital commitments of approximately RMB169,460,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

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

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

Employee Information

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares*(Note 1)*, if any) during the year ended 31 December 2024. As at 31 December 2024, the Company did not hold any treasury shares*(Note 1)*.

Note 1: as defined under the Listing Rules

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

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

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

FUTURE PLAN FOR MATERIAL INVESTMENTS OR PURCHASE OF CAPITAL ASSETS

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

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

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

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The 2025 annual general meeting of the Company (the "2025 AGM") will be held on Thursday, 26 June 2025. To determine the eligibility of the Shareholders to attend 2025 AGM, the Company's register of members will be closed from Monday, 23 June 2025 to Thursday, 26 June 2025 (both days inclusive), during which period no transfer of shares will be effected. In order to be entitled to attend and vote at 2025 AGM, all transfers of shares of the Company, duly accompanied by the completed transfer forms and all relevant share certificates, must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Friday, 20 June 2025. The shareholders whose names appear on the register of members of the Company on Thursday, 26 June 2025, the record date of 2025 AGM, will be entitled to attend and vote at 2025 AGM.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the basis of the Company's corporate governance practices. The Company has complied with all the applicable code provisions set out in the CG Code during the year ended 31 December 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF FINANCIAL STATEMENTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting principles and practices adopted by the Group during the year ended 31 December 2024 and has also discussed auditing, internal controls and financial reporting matters including the review of the audited annual results for the year ended 31 December 2024 with the management. The Audit Committee is of the opinion that the audited annual results of the Group for the year ended 31 December 2024 are in compliance with the relevant accounting standards, laws and regulations.

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

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in the preliminary results announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Company (www.cehl.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2024 containing all relevant information required under the Listing Rules will be dispatched to the shareholders of the Company (if requested) and published on the aforesaid websites in due course.

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

Hong Kong, 21 March 2025

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