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 2019

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 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	4	**5,938,095**	4,648,196
Cost of sales		**(4,370,633)**	(3,446,261)
Gross profit		**1,567,462**	1,201,935
Other income and gains	4	**123,849**	92,604
Administrative expenses		**(638,698)**	(581,739)
Other expenses		**(29,185)**	(12,774)
Finance costs	6	**(435,805)**	(310,192)
Share of profits of joint ventures		**40,919**	39,299
Share of profits of associates		**5,484**	13,135
PROFIT BEFORE TAX	5	**634,026**	442,268
Income tax expense	7	**(208,131)**	(131,623)
PROFIT FOR THE YEAR		**425,895**	310,645

	Notes	**2019** *RMB'000*	2018 *RMB'000*
Attributable to:			
Owners of the parent		**302,749**	182,733
Non-controlling interests		**123,146**	127,912
		425,895	310,645
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB2.12 cents**	RMB1.28 cents
Diluted	*9*	**RMB2.12 cents**	RMB1.28 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**425,895**	310,645
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments and reclassification adjustments for losses included in profit or loss during the year	**(27,333)**	—
Income tax effect	**7,653**	—
	(19,680)	—
Exchange differences:		
Exchange differences on translation of foreign operations	**(9,140)**	(16,077)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**(28,820)**	(16,077)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**1,902**	(21,763)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**1,902**	(21,763)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(26,918)**	(37,840)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**398,977**	272,805
Attributable to:		
Owners of the parent	**264,331**	144,684
Non-controlling interests	**134,646**	128,121
	398,977	272,805

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,272,692**	2,007,895
Prepaid land lease payments		**100,592**	78,452
Right-of-use assets		**1,240,099**	—
Goodwill		**2,086,384**	2,050,248
Other intangible assets		**2,702,006**	2,087,014
Investments in joint ventures		**451,469**	459,102
Investments in associates		**104,521**	104,667
Financial assets at fair value through other comprehensive income		**17,918**	78,185
Deferred tax assets		**14,602**	6,063
Concession financial assets	*10*	**1,818,652**	1,532,911
Contract assets	*11*	**3,207,936**	2,025,678
Prepayments, other receivables and other assets		**61,044**	113,597
Pledged deposits		**38,912**	2,000
Total non-current assets		**14,116,827**	10,545,812
CURRENT ASSETS			
Inventories		**85,536**	49,265
Concession financial assets	*10*	**411,834**	302,362
Contract assets	*11*	**212,876**	107,225
Assets classified as held for sale		**9,675**	22,144
Trade receivables	*12*	**1,301,954**	854,136
Prepayments, other receivables and other assets		**866,621**	526,731
Prepaid land lease payments		**2,497**	1,986
Amounts due from associates		**60,846**	47,876
Tax recoverable		**5,356**	18,965
Pledged deposits		**21,829**	3,509
Time deposits		**—**	2,500
Cash and cash equivalents		**1,540,029**	2,403,522
Total current assets		**4,519,053**	4,340,221

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade payables	13	**1,108,487**	785,888
Other payables and accruals		**455,409**	526,692
Deferred income		**8,758**	894
Derivative financial instruments		**20,134**	5,266
Interest-bearing bank and other borrowings	14	**1,221,633**	1,332,754
Lease liabilities		**57,748**	—
Amount due to a related party		**1,855**	1,665
Tax payable		**104,219**	70,358
Total current liabilities		**2,978,243**	2,723,517
NET CURRENT ASSETS		**1,540,810**	1,616,704
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,657,637**	12,162,516
NON-CURRENT LIABILITIES			
Deferred income		**182,078**	88,703
Interest-bearing bank and other borrowings	14	**6,109,190**	4,501,981
Lease liabilities		**1,181,218**	—
Notes payable	15	**2,080,404**	2,046,726
Derivative financial instruments		**10,173**	522
Deferred tax liabilities		**629,782**	502,891
Provisions		**223,538**	217,775
Total non-current liabilities		**10,416,383**	7,358,598
Net assets		**5,241,254**	4,803,918
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**1,188,219**	1,188,219
Reserves		**2,434,374**	2,174,143
		3,622,593	3,362,362
Non-controlling interests		**1,618,661**	1,441,556
Total equity		**5,241,254**	4,803,918

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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 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 Company and its subsidiaries (the "Group") are involved in the waste treatment and waste-to-energy business.

2.1 BASIS OF PREPARATION

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015–2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the consolidated statement of financial position, excluding the prepaid land lease payments which are still presented separately in the consolidated statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019.

Financial impact at 1 January 2019

Accordingly, the Group recognised right-of-use assets of RMB284,248,000 and lease liabilities of RMB284,248,000 at 1 January 2019.

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2019 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	173,204
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	2,172
Commitments relating to leases of low-value assets	475
Add: Payments for optional extension periods not recognised as at 31 December 2018	200,052
	370,609
Weighted average incremental borrowing rate as at 1 January 2019	4.058%
Discounted operating lease commitments as at 1 January 2019	284,248
Lease liabilities as at 1 January 2019	284,248

(a) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, and the Group concluded that the interpretation did not have any significant impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 3	*Definition of a Business* [1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform* [1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [3]
HKFRS 17	*Insurance Contracts* [2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material* [1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

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) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in New Zealand.

Year ended 31 December 2019	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	**3,567,224**	**2,370,871**	**5,938,095**
Revenue from operations			**5,938,095**
Segment results	**245,709**	**180,186**	**425,895**
Other segment information:			
Share of profits of joint ventures	**—**	**40,919**	**40,919**
Share of profits of associates	**5,484**	**—**	**5,484**
Impairment losses recognised in the statement of profit or loss	**4,869**	**221**	**5,090**
Impairment losses reversed in the statement of profit or loss	**(58,109)**	**—**	**(58,109)**
Depreciation and amortisation	**63,554**	**311,663**	**375,217**
Investments in joint ventures	**—**	**451,469**	**451,469**
Investments in associates	**104,521**	**—**	**104,521**
Capital expenditure *(note)*	**125,859**	**380,717**	**506,576**
31 December 2019			
Segment assets	**11,158,045**	**7,477,835**	**18,635,880**
Segment liabilities	**8,310,119**	**5,084,507**	**13,394,626**

Year ended 31 December 2018	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	2,337,831	2,310,365	4,648,196
Revenue from operations			4,648,196
Segment results	122,310	188,335	310,645
Other segment information:			
Share of profits of joint ventures	—	39,299	39,299
Share of profits of associates	13,135	—	13,135
Impairment losses recognised in the statement of profit or loss	2,468	3,472	5,940
Impairment losses reversed in the statement of profit or loss	(2,342)	—	(2,342)
Depreciation and amortisation	27,054	255,573	282,627
Investments in joint ventures	—	459,102	459,102
Investments in associates	104,667	—	104,667
Capital expenditure *(note)*	154,681	279,374	434,055
31 December 2018			
Segment assets	8,728,704	6,157,329	14,886,033
Segment liabilities	6,171,347	3,910,768	10,082,115

Note: Capital expenditure consists of additions to property, plant and equipment.

Information about a major customer

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:

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Construction services under service concession arrangements	**2,318,307**	1,632,096
Operation services under service concession arrangements	**451,804**	230,231
Electronic appliance dismantling	**442,189**	284,229
Waste collection services	**1,521,144**	1,488,503
Waste landfill services	**493,746**	468,827
Recycling	**107,953**	105,520
Technical services	**243,580**	236,344
Others	**173,985**	73,973
Total revenue from contracts with customers	**5,752,708**	4,519,723
Effective interest income on concession financial assets	**185,387**	128,473
Total revenue	**5,938,095**	4,648,196
Other income and gains		
Bank interest income	**6,836**	4,662
Other interest income	**22,950**	37,603
Dividend income from financial assets at fair value through other comprehensive income	**1,972**	94
Gain on de-registration of a subsidiary	**—**	2,411
Gain on disposal of investment in an associate	**—**	10,103
Gain on disposal of items of property, plant and equipment	**187**	6,405
Government grants	**27,185**	21,227
Refund of written-off trade receivables	**—**	4,428
Reversal of impairment of trade receivables	**—**	1,091
Reversal of impairment of prepayments, other receivables and other assets	**56,622**	1,251
Foreign exchange gains	**361**	156
Fair value adjustment of contingent consideration	**4,551**	—
Others	**3,185**	3,173
	123,849	92,604

5. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Cost of services rendered for service concession arrangements	**2,449,848**	1,667,062
Cost of services provided	**1,617,108**	1,479,578
Cost of inventories sold	**303,677**	299,621
Depreciation*		
— Property, plant and equipment	**247,029**	221,139
— Right-of-use assets	**49,278**	—
Amortisation*		
— Prepaid land lease payments	**2,349**	1,599
— Other intangible assets	**76,561**	59,889
Minimum lease payments under operating leases*	**—**	86,156
Lease payments not included in the measurement of lease liabilities*	**35,141**	—
Auditor's remuneration		
— Audit services	**4,356**	4,280
— Non-audit services	**2,337**	2,646
Employee benefit expense (excluding directors' emoluments):		
Wages and salaries	**314,426**	264,197
Pension scheme contributions	**29,511**	26,166
Foreign exchange differences, net	**9,863**	19,114
Impairment of financial and contract assets, net:		
Impairment of trade receivables	**3,603**	2,649
Impairment of financial assets included in prepayments, other receivables and other assets, net	**(56,622)**	949
Gain on disposal of items of property, plant and equipment	**(187)**	(6,405)
Loss on derivative financial instruments	**23,663**	—

* 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

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank and other borrowings	**280,627**	261,765
Interest on notes payable *(note 15)*	**126,652**	34,765
Interest on lease liabilities	**13,684**	—
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	**4,551**	4,874
Others	**10,291**	8,788
	435,805	310,192

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Withholding Hong Kong profits tax was calculated at 10% (2018: 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. Twenty-nine (2018: Twenty-two) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Twenty-two (2018: Sixteen) were exempted from PRC income taxes, whereas another three (2018: three) were entitled to a preferential tax of 12.5%, and another four (2018: three) 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% (2018: 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 2019, 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 (2018: 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 RMB766,404,000 (2018: RMB352,418,000).

	2019	2018
	RMB'000	*RMB'000*
Current — China Hong Kong		
Charge for the year	**25,840**	25,047
Current — Mainland China		
Charge for the year	**37,511**	22,631
Underprovision in prior years	**335**	1,470
Current — New Zealand		
Charge for the year	**23,680**	26,916
Underprovision in prior years	**878**	1,838
Deferred	**119,887**	53,721
Total tax charge for the year	**208,131**	131,623

8. DIVIDENDS

No dividend was paid or proposed by the Company during 2019, nor has any dividend been proposed by the Company since the end of the reporting period (2018: 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 (2018: 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 2019 and 2018.

The calculation of basic earnings per share is based on:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**302,749**	182,733

	Number of shares	
	2019	2018
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	**14,294,733,167**	14,294,733,167

10. CONCESSION FINANCIAL ASSETS

	2019	2018
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Current assets	**411,834**	302,362
Non-current assets	**1,818,652**	1,532,911
	2,230,486	1,835,273

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a BOT, TOT or BOO basis, plus the attributable profits on the services provided.

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.56% for the year ended 31 December 2019.

Service concession arrangements with certain government authorities in the PRC ("Grantor") 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.

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.

The Group recognised revenue from construction services of RMB2,318,307,000 (2018: RMB1,632,096,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB451,804,000 (2018: RMB230,231,000) for all the service concession arrangements of the Group (note 4). The gross profits recognised from construction services amounted to RMB365,772,000 (2018: RMB175,225,000) and the gross profits recognised from operation services amounted to RMB118,165,000 (2018: RMB89,664,000) for all the service concession arrangements of the Group.

As at 31 December 2019, 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 2019 *RMB'000*	Balance as at 31 December 2018 *RMB'000*
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	131 million kWh	**566,066**	563,657
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	**375,151**	355,658
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	**268,257**	—
Nanyang Capital Environment Technology Company Limited (南陽首創環境科技有限公司)	Garbage Collection, Transport and Processing Project for Xichuan, Xixia and Neixiang (淅川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目)	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	724 tonnes	N/A	**227,160**	256,807
Gaoan Eacoon Renewable Resources for Thermal Power Generation Company Limited (高安意高再生資源熱力發電有限公司)	Gaoan Solid Waste Incineration Power Generation Plant (高安市垃圾焚燒發電廠)	Gaoan, Jiangxi	Gaoan People's Government (高安市人民政府)	30 years after obtaining the approval for commercial operation	900 tonnes	64 million kWh	**131,783**	133,417
Ningbo Capital Environment Kitchen Waste Treatment Company Limited (寧波首創廚餘垃圾處理有限公司)	Ningbo World Bank Loan Kitchen Waste Treatment Plant (寧波市世行貸款廚餘垃圾處理廠)	Ningbo, Zhejiang	Ningbo City Administration (寧波市城市管理局)	20 years after obtaining the approval for commercial operation	800 tonnes	N/A	**130,631**	—
Beijing Capital Environment Engineering Co., Ltd. (北京首創環境工程有限公司)	Yanqing Integrated Waste Treatment Project (延慶垃圾綜合處理項目)	Beijing	Beijing Yanqing Environment Service Center (北京市延慶區環境衛生服務中心)	February 2019 to February 2048 (30 years)	359 tonnes	N/A	**81,407**	85,019
Yingde Laohuyan Solid Waste Treatment Co., Ltd. (英德市老虎巖生活垃圾處理有限公司)	Yingde Laohuyan Municipal Solid Waste Landfill Site (英德市老虎巖生活垃圾填埋場)	Yingde, Guangdong	Yingde City Administration (英德市規劃和城市綜合管理局)	25 years after obtaining the approval for commercial operation	600 tonnes	N/A	**80,143**	78,867
Huludao Kangte Jincheng Environment Management Company Limited (葫蘆島康達錦程環境治理有限公司)	Huludao Municipal Solid Waste Landfill Site (葫蘆島生活垃圾填埋場)	Huludao, Liaoning	Huludao Housing and Urban-Rural Construction Commission (葫蘆島市住房和城鄉建設委員會)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	**66,409**	70,257
Weng'an Kelin Environment Company Limited (甕安縣科林環保有限公司)	Weng'an Municipal Solid Waste Landfill Site (甕安縣生活垃圾填埋場)	Weng'an, Guizhou	Weng'an People's Government (甕安縣人民政府)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	**60,230**	59,281
Others*							**243,249**	232,310
							2,230,486	1,835,273

* Others represent waste collection and transportation projects, incineration projects and kitchen waste concentration projects without significant concession financial assets.

11. CONTRACT ASSETS

The Group entered into service concession arrangements with the Grantors 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 and will be transferred to concession financial assets or other intangible assets once the construction is completed.

	2019	2018
	RMB'000	*RMB'000*
Contract assets arising from:		
Construction services	**3,420,812**	2,132,903
Impairment	**—**	—
	3,420,812	2,132,903
Analysed for reporting purpose as:		
Current assets	**212,876**	107,225
Non-current assets	**3,207,936**	2,025,678
	3,420,812	2,132,903

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. The increase in contract assets was the result of the increase in the provision of construction services during each of the years.

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

	2019	2018
	RMB'000	*RMB'000*
Within one year	**3,117,140**	1,751,606
After one year	**303,672**	381,297
Total contract assets	**3,420,812**	2,132,903

In the opinion of the Company's directors, there is no loss from expected credit risk exposure as all of the contract assets are due from the Grantors, which are government authorities in the PRC with a high reputation and loss from credit risk exposure has never occurred for these contract assets in history.

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**1,316,234**	859,682
Impairment	**(14,280)**	(5,546)
	1,301,954	854,136

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:

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**497,663**	428,552
91 to 180 days	**180,894**	84,353
Over 180 days	**623,397**	341,231
	1,301,954	854,136

13. TRADE PAYABLES

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

	2019	2018
	RMB'000	*RMB'000*
0 to 90 days	**677,579**	538,048
91 to 180 days	**70,250**	146,628
Over 180 days	**360,658**	101,212
	1,108,487	785,888

Included in the trade payables are amounts of RMB87,000 (2018: RMB1,842,000) and RMB1,957,000 (2018: RMB2,242,000) 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.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate (%)	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current						
Bank overdrafts — unsecured	**—**	**On demand**	**—**	6.00–8.00	On demand	40,822
Bank loans — secured	**4.35–4.79**	**2020**	**95,000**	4.36–4.79	2019	50,000
Bank loans — unsecured	**2.26–4.57**	**2020**	**866,167**	5.22	2019	205,499
Current portion of long term						
bank loans — secured	**4.41–5.15**	**2020**	**148,730**	4.66–5.23	2019	332,898
bank loan — unsecured	**3.29–3.55**	**2020**	**7,500**	2.36–3.19	2019	619,591
other loans — secured	**4.75–5.39**	**2020**	**104,236**	4.75	2019	83,944
			1,221,633			1,332,754
Non-current						
Other secured bank loans	**4.41–5.64**	**2021–2034**	**1,369,577**	4.66–5.15	2021–2033	640,790
Other unsecured bank loans	**3.29–3.93**	**2022–2036**	**820,956**	3.19	2036	106,266
Other loans — secured	**4.89–6.15**	**2023–2026**	**1,189,800**	4.75–6.15	2020–2023	1,072,719
Other loans — unsecured	**1.20–5.50**	**2021–2031**	**2,728,857**	1.20–5.50	2031	2,682,206
			6,109,190			4,501,981
			7,330,823			5,834,735

	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Bank loans and overdrafts repayable:		
Within one year or on demand	**1,117,397**	1,248,810
In the second year	**188,712**	137,437
In the third to fifth years, inclusive	**1,187,358**	391,352
Beyond five years	**814,462**	218,267
	3,307,929	1,995,866
Other borrowings repayable:		
Within one year	**104,236**	83,944
In the second year	**2,808,087**	72,719
In the third to fifth years, inclusive	**1,004,680**	3,630,206
Beyond five years	**105,891**	52,000
	4,022,894	3,838,869
	7,330,823	5,834,735

Notes:

(1) Bank loans of RMB825,071,000 as at 31 December 2019 (2018: RMB683,300,000) were guaranteed by a corporate guarantee of the Group.

(2) Bank loans of RMB288,316,000 as at 31 December 2019 (2018: RMB96,388,000) were secured by the service concession arrangement in Huizhou Guanghui Energy Co., Ltd. (惠州廣惠能源有限公司).

(3) A bank loan of RMB69,000,000 as at 31 December 2019 (2018: RMB75,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited (揚州首創環保能源有限公司).

(4) A bank loan of RMB13,660,000 as at 31 December 2019 (2018: RMB22,080,000) was guaranteed by a corporate guarantee of a subsidiary of Beijing Capital Group Company Limited ("Beijing Capital Group").

(5) A bank loan of RMB60,000,000 as at 31 December 2019 (2018: RMB35,000,000) was secured by the prepaid land lease payments and buildings with a carrying amount of RMB58,943,000 (2018: RMB66,866,000).

(6) A bank loan of RMB128,676,000 as at 31 December 2019 (2018: RMB96,920,000) 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).

(7) A bank loan of RMB15,000,000 as at 31 December 2019 (2018: RMB15,000,000) was guaranteed by a corporate guarantee of the Group, and was secured by the prepaid land lease payments and buildings with a carrying amount of RMB21,864,000 (2018:RMB23,184,000).

(8) A bank loan of RMB180,830,000 as at 31 December 2019 (2018: nil) was secured by the service concession arrangement in Suixian Capital Environmental Energy Limited (睢縣首創環保能源有限公司).

(9) A bank loan of RMB32,754,000 as at 31 December 2019 (2018: nil) was secured by the service concession arrangement in Fuzhou Capital Haihuan Environment Technology Co.,Ltd (福州首創海環環保科技有限公司).

(10) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 31 December 2019 (2018: RMB1,000,000,000) was guaranteed by a corporate guarantee of Beijing Capital Group.

(11) Other loan of RMB72,719,000 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 2019 (2018: RMB156,663,000) was secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司).

(12) Other loan of RMB139,952,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 31 December 2019 (2018: nil) 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).

(13) Other loan of RMB81,365,000 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 2019 (2018: nil) was guaranteed by a corporate guarantee of the Group, and 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).

Included in other borrowings is a loan of NZ$570,000,000 (equivalent to approximately RMB2,676,857,000) from BCG Chinastar International Investment Limited which is unsecured, bears interest at 5.5% per annum and has a maturity date on 31 May 2021.

As at 31 December 2019, the Group had undrawn borrowing facilities amounting to RMB1,405,390,000 (2018: RMB1,020,875,000).

As at 31 December 2019, the Group's bank and other loans of RMB4,252,929,000 were charged at fixed interest rates while those of RMB3,077,894,000 were charged at floating interest rates. The carrying amounts of the Group's borrowings approximate to their fair values.

15. NOTES PAYABLE

On 11 September 2018 and 18 October 2018, the Group issued notes in an aggregate principal amount 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. Unless early redeemed, or purchased or cancelled, these notes will be redeemed at their principal amount on 10 September 2021.

After initial recognition, these notes are subsequently measured at amortised cost, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate.

The movements of notes payable during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Liabilities as at 1 January	**2,046,726**	—
Notes payable issued	**—**	2,045,442
Interest reclassified in previous year	**33,532**	—
Interest during the year	**126,652**	34,765
Interest paid during the year	**(128,319)**	—
Exchange realignment	**37,702**	51
	2,116,293	2,080,258
Less: Interest to be paid within one year	**(35,889)**	(33,532)
Liabilities at 31 December	**2,080,404**	2,046,726

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In 2019, continuously affected by Sino-US trade frictions, developed economies including the United States, and emerging economies, experienced a slowdown, undermining investor confidence again. In the face of an extremely complicated and tough environment at home and abroad, China, as an important engine of the global economy, actively advanced its economic reform and adjusted the structure, so that its economy was stable and moving in a positive direction. The national policy of comprehensively advancing the development of the green economy and the environmental protection industry has made the green economy and the environmental protection industry the new momentum of China's economic development.

In 2019, China's prime minister summarized and made arrangements for the construction of ecological civilization and the protection of the ecological environment as one of the important contents in the Report on the Work of the Government. He stressed that efforts should be focused on Defending the Blue Sky and other key tasks to continuously advance pollution prevention and control, strengthen the protection and restoration of the ecological system, and promote the development of the green environmental protection industry; and efforts should be made to continue to improve the quality of the ecological environment through overall consideration, tackling of both superficial and root causes, targeted and practical work and other measures, thus bring unprecedented opportunities for the development of the green economy and the environmental protection industry.

Under the general trend of vigorous development of the green economy and the environmental protection industry, the Group has actively responded to national strategies and conformed to industry development. It has focused on value creation, and made efforts for key processes in the solid waste industry chain, with reliance on the strategic plan of Beijing Capital Group, a controlling shareholder. The Company has implemented the development philosophy of high-quality growth. It has enhanced the up-down linkage and promoted the rational matching and synchronous development of light and heavy assets, and become "an important builder and guardian of beautiful China". This is the family-state ideal of all employees of the Group.

During the year under review, the Group advanced aggressively, interpreting the profound meaning of Beijing Capital Group acting as "an important builder and guardian of beautiful China" with tangible action. The Group won the title of "Top 10 Influential Enterprises in China's Solid Waste Industry" for the eighth time. It won a series of awards including "Top 50 Environmental Enterprises in China", "Environmentally and Socially Responsible Enterprises" and "Happy Enterprise — Excellent Case for Building Employee Pride". After the power generation by incineration project in Nanchang established a benchmark for the Group, the power generation by incineration project in Gaoan won China Power Quality Engineering Award. The power generation by incineration project in Duyun won China

Chemical Industry Quality Project. Preferential loans from China Clean Development Mechanism Fund were provided for the food waste project in Ningbo. Many projects including the hazardous waste project in Zibo, the power generation by incineration project in Qianjiang and the power generation by incineration project in Lushan won honors such as provincial construction standardization sites, and financial incentives such as support funds from the budget of the central government and local financial subsidies. The above awards mark the recognition of the Group by all sectors of society.

In respect of results of operation, in 2019, total assets of the Group reached RMB18,636 million, representing a year-on-year increase of 25.19%; our turnover was RMB5,938 million, representing a year-on-year increase of 27.75%; profit for the year was RMB426 million, representing a year-on-year increase of 37.1%; our net profit attributable to parent company was RMB303 million, representing a year-on-year increase of 65.68%.

In terms of project reserves, the Group secured a total of 78 projects (including 27 waste-to-energy projects, 9 waste landfill projects, 7 anaerobic digestion technology treatment projects, 19 waste collection, storage and transportation projects, 9 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 5 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB20,600 million, of which the amount of RMB6,755 million has been injected before 31 December 2019. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 17.22 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.20 million units. The said projects have gradually entered into the construction and operation period. As of 31 December 2019, there were 55 domestic projects which have entered the construction and operation period, of which the power generation by incineration project in Nanchang, the domestic waste anacrobic project in Ningbo and the hazardous waste project in Yangzhou, which are representative projects showing the high-level competence of the Group, have been approved as environmental protection demonstration bases by the National Development and Reform Commission and recognized as high-quality electric power projects of China.

In terms of market expansion, the Group successfully secured 15 waste treatment projects in the mainland with a total investment of approximately RMB4,700 million and the new design can handle 3.42 million tons of domestic waste annually. New projects include: the Hazardous Waste Comprehensive Treatment Project in Xinxiang City, Henan Province, the Hazardous Waste Comprehensive Treatment Project in Wuzhong City, Ningxia Hui Autonomous Region, the Power Generation by Domestic Waste Incineration Project in Tanghe County, Nanyang City, Henan Province, the Second Solid Waste Treatment PPP Project in Huojia County, Xinxiang City, Henan Province, the Biomass Cogeneration Project in Lushan County, Pingdingshan City, Henan Province, the Second Meihuan Solid Waste Treatment Plant PPP Project in Renqiu City, Hebei Province, the Power Generation by Domestic Waste Incineration Project in Nong'an County, Changchun City, Jilin Province, the Power Generation by Domestic Waste Incineration Project in Duchang County, Jiujiang City, Jiangxi Province, the Urban and Rural Domestic Waste Collection and Transportation Project in Anding District, Dingxi City, Gansu Province, the Environmental Issues, such as Sewage, Wastes, Toilets to be unified for the Integrated System of Management Project Phase I in Baiyangdian Village, Xiong'an New District, the Solid Waste Incineration Power Generation PPP Project in Shenzhou City, Hebei Province, the Venous Industry Eco Park PPP Project in Wulingshan, Jishou City, Xiangxi Autonomous Prefecture, Hunan Province, the Power Generation by Domestic Waste Incineration PPP Project in Nanle County, Puyang City, Henan Province, the Power Generation by Domestic Waste Incineration Plant PPP Project in the Central District of Puer City, Yunnan Province, and the Medical Waste Disposal Project in Zibo City, Shandong Province. The Group has established a core business of domestic waste cleaning, transporting, landfilling and incineration for power generation, covering the entire industrial chain (i.e. the initial-phase, middle-phase and end-phase), and simultaneously developed the anaerobic treatment business and hazardous waste treatment business as our branch business. With the electronic waste dismantling business, irregular landfill site treatment business and construction waste recycling business in synchronous development as our supplementary businesses, the Group continued to consolidate and enhance its leading position in the industry.

In terms of technological innovation, Beijing Capital Environment Technology Co., Ltd. (北京首創環境科技有限公司), a wholly-owned subsidiary of the Group in the technological innovation sector, won the title of "Leading Enterprise in China's Strategic Emerging Environmental Protection Industry (中國戰略性新興環保產業領軍企業)" for the second year in a row. In 2019, the Group's technical research and innovation in anaerobic treatment, hazardous waste disposal, treatment of informal landfills, smart power plants, etc. were successfully carried out. For the year, it applied for more than 30 patents, obtained 9 authorized utility model patents, and participated in the preparation of national standard domestic waste classification signs. The Group further promoted the industry-university-research integration. It signed an agreement with the School of Materials Science & Engineering, Beijing Institute of Technology in relation to the "industry-university-research cooperation base for recycling hazardous wastes containing toxic metals". It sought technical exchanges and cooperation with excellent enterprises and academies with advanced technologies at home and abroad. These efforts have laid a technical foundation for promoting the Group's scientific and technological innovation, realizing its technological upgrade and driving its transformation of the asset-heavy and asset-light strategy.

In terms of construction project, the Group continued to accelerate the commencement of contracted projects and strived to maintain our leading quality, controllable progress, safety-orientation, and reduced costs. We have secured 20 projects under construction and 7 projects at the planning stage, keeping our highest record since 2018. Among them, 3 projects were completed and put into operation, 4 projects were completed, 16 projects were steadily under construction. The Group gradually improved our standardized management system for projects under construction, established a regionalized management system for engineering projects, firmly upheld safety awareness, and placed safety first at all time so as to ensure that there were no construction safety management accident throughout the year.

In terms of operations management, the Group's operation and trial operation projects reached 35. Among them, there are 4 incineration projects, 6 landfill projects, 15 collection, transportation and cleaning projects, 2 dismantling projects, 5 anaerobic projects, 1 aerobic projects and 2 hazardous waste treatment and transportation project. Key tasks were carried out in an orderly manner according to our scientific management plan. The annual domestic waste disposal capacity was 3.968 million tons, hazardous waste disposal capacity was 8,000 tons and the dismantling amounted to 3,140,000 units, and 7,534,000 square meters of cleaning work was completed. The total amount of on-grid electricity provided was 316,000,000kilowatt per hours.

In terms of market financing, the Group adopted a two-pronged approach that seek to raise funds from the capital market as well as the financing market, so as to guarantee that the Group's needs for operating funds will be met. With regard to capital markets, the Group was assigned a domestic AA+ corporate credit rating and was approved to issue panda bonds and ultra-short-term financing bonds, and was recognized by domestic regulatory agencies, thus expanding financing channels in domestic capital markets. It conveyed the green development philosophy of the Group to domestic investors. This has laid a foundation for the Group's future expansion of financing channels in diversified capital markets. In the financing market, the Group continued to expand its financing channels and conducted a wide range of cooperation with a number of banks such as the Industrial Bank, Bank of Beijing and Bank of Ningbo, and acquired current assets credit of RMB2.4 billion and fixed assets loan credit of approximately RMB1.8 billion throughout the year.

In terms of overseas market, the Group held 51% shares of BCG NZ Investment Holding Limited ("BCG NZ Group"). BCG NZ Group has been operating continuously for more than 100 years, and is the largest waste management service supplier in New Zealand with nearly 40% market share, ranking the first in New Zealand. It has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 300,000 customers in major cities of New Zealand, such as Auckland, Wellington and Christchurch.

With the development of our business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and global layout, and strengthen the efficiency and the synergistic effect, the Group has successively established the South Investment Center, the North Investment Center, the Anaerobic Industry Department, the Hazardous Waste Industry Department and the International Business Department in the past few years to promote project investment and construction in regions, focus on key process in the industry chain, improve technological and lean management, and consolidate its position in existing business sectors in which it has advantages. Depending on the first-rate assets of our solid waste business, we have created a light asset business model and explore a new path to construct an ecological culture that is in harmony with nature and synergistic, so as to contribute to the creation of a "beautiful China".

Looking ahead, against the backdrop of the huge demand for green environmental protection industry during the economic and social development in China and great support of the PRC government for the industry, with the consistent full support of Beijing Capital Group, a controlling shareholder, the Group will continue to follow the "ecology +" development strategy of Beijing Capital Group: orientation according to overall strategies, resource allocation through major adjustment, development driven by major events and cohesion with great culture; and will seize all good opportunities in the future development to realize comprehensive and magnificent plans of Beijing Capital Group in the environmental protection industry.

The Group is on target for increasing its capability in solid waste treatment by at least 7,000 tons per day in the coming year. As of 31 December 2019, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in several waste treatment projects by way of tender or acquisition. The Group's domestic projects have continuously increased and successively entered into the construction and operation period, which has contributed to the rapid growth of the Group's results. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management is confident of achieving sustained growth in the medium-to-long term.

In order to meet the financial needs of the Group's future business development, the Group will conduct adequate research on the change trends in the global financing markets and capital markets, as well as make comprehensive assessment on the strengths and weaknesses of various financing instruments, so as to utilize several sources of funding to raise low-cost capital to finance the future investments by taking account of its short-term, medium-term and long-term funding needs with an aim to increase the market capital of the Group and create value for the shareholders of the Company.

At the end of 2019, the Group has experienced a major public health emergency with the fastest spread, the widest range of infections, and the most difficult prevention and control since the founding of the PRC. During the Coronavirus disease outbreak prevention and control period, under the leadership of the management team, all the colleagues of the Group unite and cooperate with one heart. The majority of cadres and employees actively fulfill their responsibilities, always adhere to their posts, and carry forward the pioneering spirit with practical actions. More than 2,000 employees of 39 project companies continued to work, becoming a viable force in the local epidemic prevention teams and providing important guarantees for the stable operation of many cities across the country. As of now, none of the employees of the Group has become suspected or confirmed cases. The Group has made overall plans for the prevention and control of epidemic situations and the production and operation of enterprises. In accordance with the requirements of the State

Council's Guidelines on Preventing and Controlling Epidemic Situations for Resumption and Reproduction of Enterprises and Institutions, the Group has promoted the resumption and reproduction in an orderly manner. Efforts will be made to strengthen production and operation scheduling, implement measures related to production safety, coordinate overall deployment of internal work, accumulate development energy, and work hard to build a foundation for the Group's high-quality development.

FINANCIAL REVIEW

Overview

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached RMB5,938.095 million, representing an increase of approximately 27.75% as compared to RMB4,648.196 million in 2018. Profit attributable to owners of the Group in 2019 was RMB302.749 million, representing an increase of approximately 65.68% as compared to RMB182.733 million in 2018. The increase of profit was mainly attributable to the strengthening of the Group's management of operating projects, improving operating efficiency, promoting a substantial increase in operating income, accelerating the progress of engineering projects, and driving the growth of construction services revenue. At the same time, the Nanchang project reversed losses in previous years and recovered related interest income.

The finance costs of the Group saw an increase of approximately 40.50% to approximately RMB435.805 million as compared to that of 2018. The increase was mainly attributable to the impact of new project loans of the Company during the year under review and the issuance of USD300 million green bonds in the second half of 2018. For details, please refer to Note 15 of the financial statements.

Financial Position

As at 31 December 2019, the Group had total assets amounting to approximately RMB18,635.880 million and net assets attributable to the owners of the Company were approximately RMB3,622.593 million. As at 31 December 2019, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 71.88%, an increase of 3.88% from 68% at the end of 2018. The increase was mainly attributable to the increase in funding requirements for new projects. The Group added new project loans during the year under review to meet capital requirements. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.59 on 31 December 2018 to approximately 1.52 on 31 December 2019. The decrease was mainly attributable to the continuous increase in construction and operating projects, which resulted in an increase in operating payables.

Financial Resources

The Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 31 December 2019, the Group had cash and bank balances and pledged bank deposits of approximately RMB1,600.770 million, representing a decrease of approximately RMB810.761 million as compared to approximately RMB2,411.531 million at the end of 2018. The decrease was mainly attributable to the continuous investment in construction of the Group's projects during the year under review and the impact of capital expenditures. Combined with the Company's operating and investment plans, the current financial resources can meet the Company's operating and investment needs. Currently, most of the Group's cash is denominated in US$, HK$, RMB and NZ$.

Borrowings

As at 31 December 2019, the Group had outstanding borrowings of approximately RMB7,330.823 million, representing an increase of approximately RMB1,496.088 million as compared to approximately RMB5,834.735 million at the end of 2018. The borrowings comprised secured loans of approximately RMB2,907.343 million and unsecured loans of approximately RMB4,423.480 million. The borrowings are denominated in HK$, RMB and NZ$. Approximately 58% and 42% of the borrowings are at fixed rate and variable rate, respectively.

Foreign Exchange Exposure

The majority of the Group's sales, purchase 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 2019, the guarantees of certain banking facilities of the Group included certain proceeds under the Group's service franchise arrangement and prepaid land lease payments and buildings of RMB80.807 million.

Commitment arrangements

As at 31 December 2019, the Group had commitment of approximately RMB3,674.05 million and RMB325.011 million 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 2019, the Group provided guarantees of approximately RMB356.556 million to the government institutions of New Zealand in respect of the continuous operation or the fulfillment of operation standards of the landfill sites.

Employee Information

As at 31 December 2019, the Group had about 4,547 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument 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 final dividend for the year ended 31 December 2019 (for the year ended 31 December 2018: 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 of 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 directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 December 2019.

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 of the Listing Rules during 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 2019, including the accounting principles and practices adopted by the Group.

SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT

The figures set out in the preliminary announcement of the Group's results for the year ended 31 December 2019 in respect of the Group's consolidated statement of profit or loss and consolidated statement of financial position 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 announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has 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 both the websites of the Company (www.cehl.com.hk) and of the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2019 will be dispatched to shareholders and published on the aforesaid websites in due course.

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

Hong Kong, 20 March 2020

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