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BOQI

China Boqi Environmental (Holding) Co., Ltd.
中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

ANNUAL RESULTS HIGHLIGHTS

For the year ended 31 December 2023, the revenue of the Group amounted to RMB2,138 million, representing an increase of 12.5% as compared with RMB1,900 million for last year.

For the year ended 31 December 2023, the gross profit of the Group amounted to RMB436 million, representing an increase of 11.5% as compared with RMB391 million for last year; the gross profit margin of the Group was 20.4%, which basically remained stable as compared to 20.6% for last year.

For the year ended 31 December 2023, the net profit of the Group amounted to RMB237 million with a net profit margin of 11.1%. Excluding gain and losses on fair value changes in financial assets at fair value through profit or loss and investment income, the Group's net profit was RMB232 million, representing an increase of 2.2% as compared with RMB227 million for last year.

The Board has recommended the payment of HK$3.50 cents per ordinary share as final dividend for the year ended 31 December 2023 (31 December 2022: HK$3.00 cents).

The board (the "**Board**") of directors (the "**Directors**") of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**", together with its subsidiaries collectively referred to as the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended 31 December 2023 (the "**Reporting Period**" or the "**2023 financial year**"), together with comparative figures for 2022 (the "**2022 financial year**").

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

Consolidated Statement of Profit or Loss

For the Year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**2,138,199**	1,900,248
Cost of sales and services		**(1,702,099)**	(1,509,470)
Gross profit		**436,100**	390,778
Other income and gains	*5*	**59,248**	214,861
Other expense and losses		**(8,597)**	(247,092)
Selling and distribution expenses		**(25,390)**	(19,910)
Administrative expenses		**(101,642)**	(89,726)
Research and development expenses		**(55,888)**	(58,662)
Impairment losses on financial and contract assets		**(26,232)**	(15,078)
Share of profit of associates		**11,437**	14,395
Finance costs		**(14,449)**	(13,667)
PROFIT BEFORE TAX	*6*	**274,587**	175,899
Income tax expenses	*7*	**(37,243)**	(20,241)
PROFIT FOR THE YEAR		**237,344**	155,658
Profit attributable to:			
Owners of the Company		**240,184**	151,749
Non-controlling interests		**(2,840)**	3,909
		237,344	155,658
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic (RMB)		**0.24**	0.15
– Diluted (RMB)		**0.24**	0.15

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
PROFIT FOR THE YEAR		**237,344**	155,658
OTHER COMPREHENSIVE INCOME			
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		**7**	916
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**7**	916
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7**	916
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**237,351**	156,574
Total comprehensive income attributable to:			
Owners of the Company		**240,191**	152,665
Non-controlling interests		**(2,840)**	3,909
		237,351	156,574

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**680,166**	627,349
Investment properties		**8,983**	9,627
Goodwill		**6,567**	6,488
Other intangible assets		**529,236**	576,797
Receivables under service concession arrangement	*10*	**457,517**	492,005
Investments in associates		**63,937**	63,895
Equity investments designated at fair value through other comprehensive income		**5,173**	5,166
Long-term receivable		**35,752**	49,254
Contract assets		**134,035**	16,785
Amounts due from related parties		**80,897**	138,125
Deferred tax assets		**54,640**	45,656
Other non-current assets		**150,043**	55,046
Total non-current assets		**2,206,946**	2,086,193
CURRENT ASSETS			
Receivables under service concession arrangement	*10*	**48,307**	49,762
Debt instruments at fair value through other comprehensive income		**238,689**	287,538
Inventories		**33,133**	33,129
Financial assets at fair value through profit or loss		**3,373**	24,661
Contract assets		**242,877**	420,655
Trade receivables	*11*	**1,181,509**	872,121
Prepayments, deposits and other receivables		**296,457**	217,946
Amounts due from related parties		**334,620**	232,545
Pledged time deposits and bank balances		**84,328**	98,266
Cash and cash equivalents		**348,558**	402,488
Total current assets		**2,811,851**	2,639,111

	Notes	**2023**	2022
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,117,380**	1,134,240
Other payables, deposits received and accrued expenses		**373,805**	341,495
Contract liabilities		**86,604**	109,009
Income tax payable		**52,351**	44,890
Interest-bearing bank and other borrowings		**118,945**	92,108
Lease liabilities		**4,172**	3,529
Amounts due to related parties		**43,739**	7,249
Total current liabilities		**1,796,996**	1,732,520
NET CURRENT ASSETS		**1,014,855**	906,591
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,221,801**	2,992,784
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**97,333**	82,029
Lease liabilities		**23,096**	35,092
Deferred tax liabilities		**31,481**	26,735
Contingent consideration		**958**	–
Total non-current liabilities		**152,868**	143,856
Net assets		**3,068,933**	2,848,928
EQUITY			
Equity attributable to owners of the parent			
Share capital		**67**	67
Treasury shares		**(1)**	(1)
Other reserves		**3,047,405**	2,834,437
		3,047,471	2,834,503
Non-controlling interests		**21,462**	14,425
Total equity		**3,068,933**	2,848,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. CORPORATE AND GROUP INFORMATION

China Boqi Environmental (Holding) Co., Ltd. (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 30 January 2015 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 March 2018. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries (collectively referred as the "**Group**") are disclosed in the section headed "Corporate Information" in the annual report.

The Company is an investment holding company.

During the Reporting Period, the Group was involved in the following principal activities:

- Flue gas treatment business
- Water treatment business
- Hazardous and solid waste treatment/disposal services
- Dual-carbon new energy+ business

In the opinion of the directors of the Company ("**Directors**"), there is no single entity that could be considered as the ultimate holding company.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CBEE Holdings Co., Ltd. ("**CBEE**")*	British Virgin Islands ("**BVI**")	–	100%	–	Investment holding
Beijing Shengyi Tiancheng Environmental SCI-TECH Co., Ltd. ("**Beijing Shengyi**")*	PRC/Chinese Mainland	RMB521,500,000	100%	–	Investment holding
Beijing Bosheng Environmental SCI-TECH Co., Ltd.	PRC/Chinese Mainland	RMB10,000,000	–	100%	Investment holding
Beijing Boqi Electric Power SCI-TECH Co., Ltd. ("**Beijing Boqi**")	PRC/Chinese Mainland	RMB550,000,000	–	100%	Environmental protection facilities engineering, operation and maintenance services

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd. ("**Jinggangshan Boqi**")	PRC/Chinese Mainland	RMB81,000,000	–	100%	Concession operation services
Shanxi Puzhou Boqi Environmental Technology Co., Ltd. ("**Puzhou Boqi**")	PRC/Chinese Mainland	RMB55,000,000	–	100%	Concession operation services
Shanxi Hejin Boqi Environmental Technology Co., Ltd. ("**Hejin Boqi**")	PRC/Chinese Mainland	RMB25,000,000	–	100%	Concession operation services
Anhui Nengda Fuel Co., Ltd.	PRC/Chinese Mainland	RMB20,000,000	–	100%	Sale of coal and chemicals
Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd.	PRC/Chinese Mainland	RMB10,000,000	–	100%	Operation and maintenance services
Changjizhou Boqi Environmental Technology Co., Ltd. ("**Changjizhou Boqi**")	PRC/Chinese Mainland	RMB140,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services, and concession operation services
Beijing Boqi Environmental Remediation Tech Co., Ltd.	PRC/Chinese Mainland	RMB10,000,000	–	60%	Technology services, engineering and exploration services
Huainan Boqi Environmental Technology Co., Ltd. ("**Huainan Boqi**")	PRC/Chinese Mainland	RMB50,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services
Laibin Boqi Environmental Technology Co., Ltd. ("**Laibin Boqi**")	PRC/Chinese Mainland	RMB80,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services
Changzhi Boqi Environmental Technology Co., Ltd. ("**Changzhi Boqi**")	PRC/Chinese Mainland	RMB128,000,000	–	100%	Water treatment business

Name	Place of incorporation/ registration and business	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Tangshan Boqi Environmental Technology Co., Ltd. ("**Tangshan Boqi**")	PRC/Chinese Mainland	RMB30,000,000	–	100%	Hazardous and solid waste treatment/ disposal service
Handan Boqi Environmental Technology Co., Ltd. ("**Handan Boqi**")	PRC/Chinese Mainland	RMB75,000,000	–	70%	Dual-carbon new energy+ Business
Qinghai Boqi Ecological Environmental Technology Co., Ltd. ("**Qinghai Boqi**")	PRC/Chinese Mainland	RMB30,000,000	–	92%	Hazardous and solid waste treatment/ disposal service
Jiangsu Boqi smart energy Co., Ltd. ("**Jiangsu Boqi**")	PRC/Chinese Mainland	RMB30,000,000	–	51%	Dual-carbon new energy+ business
Zhongxie power Energy Wuxi Co., Ltd. ("**Zhongxie Power**")	PRC/Chinese Mainland	RMB5,000,000	–	51%	Dual-carbon new energy+ business
Wuxi Huadong No.2 Smart Energy Co.,Ltd. ("**Huadong No.2**")	PRC/Chinese Mainland	RMB5,000,000	–	51%	Dual-carbon new energy+ business
Wuxi Huaxin Energy Development Co.,Ltd. ("**Huaxin Energy**")	PRC/Chinese Mainland	RMB30,000,000	–	51%	Dual-carbon new energy+ business
Shanxi Boqi Green Energy Technology Co., Ltd. ("**Shanxi Boqi**")	PRC/Chinese Mainland	RMB50,000,000	–	100%	Dual-carbon new energy+ business

* Except for CBEE and Beijing Shengyi, all of the above subsidiaries are indirectly held by the Company.

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include al l IFRSs, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for debt investments, contingent consideration and equity investments which have been measured at fair value. These consolidated financial statements are presented in Renminbi ("**RMB**") 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 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, 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 new and revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 32 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) Flue gas treatment business

Environmental protection facility engineering ("**EPC**")	project design, procurement of equipment and materials, project construct ion and equipment instalment and testing services
Operation and maintenance ("**O&M**")	operation service and regular maintenance service for desulfurization and denitrification facilities and dust removal facilities
Concession operation	construction of infrastructure or acquisition of existing infrastructure from grantor, operation and maintenance of flue gas treatment project for a pre-defined period according to the concession contract and transferring the ownership of the infrastructure to the grantor at the end of the period
Others	sales of by-products and others

(b) The water treatment business mainly involves project engineering and design, procurement of equipment and materials, project construction, equipment installation, commissioning services and the sewage treatment service

(c) The hazardous and solid waste treatment/disposal business mainly involves in the detoxification, reduction and resource treatment and disposal of bulk solid waste and industrial hazardous waste

(d) The dual-carbon new energy+ business mainly involves project engineering and design, procurement of equipment and materials, project construction, equipment installation, commissioning services and photovoltaic power generation project services

	Segment revenue		Segment profit	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Flue gas treatment business				
EPC	**641,393**	568,983	**64,277**	33,804
O&M	**548,002**	400,429	**137,944**	113,971
Concession operation	**489,618**	504,104	**117,775**	128,126
Others	**24,862**	36,500	**24,787**	35,744
Water treatment business	**317,583**	270,878	**48,028**	58,084
Hazardous and solid waste treatment/disposal business	**48,965**	11,717	**18,422**	(935)
Dual-carbon new energy+ business	**67,776**	107,637	**24,867**	21,984
Total segment revenue	**2,138,199**	1,900,248	**436,100**	390,778
Unallocated other income and gains			**59,248**	214,861
Unallocated other expense and losses			**(8,597)**	(247,092)
Unallocated selling and distribution expenses			**(25,390)**	(19,910)
Unallocated administrative expenses			**(101,642)**	(89,726)
Unallocated research and development expenses			**(55,888)**	(58,662)
Unallocated of impairment losses on financial and contract assets			**(26,232)**	(15,078)
Unallocated share of profits of associates			**11,437**	14,395
Unallocated finance costs			**(14,449)**	(13,667)
Profit before tax			**274,587**	175,899

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2023 (2022: nil).

Other segment information

	Total depreciation and amortisation	
	2023	2022
	RMB'000	*RMB'000*
Depreciations and amortisations presented in cost of sales and services		
Flue gas treatment business		
EPC	**55**	65
O&M	**8,972**	6,441
Concession operation	**65,036**	61,086
Water treatment business	**27,295**	24,922
Hazardous and solid waste treatment/ disposal business	**12,363**	4,469
Dual-carbon new energy+ business	**2,364**	–
Sub-total	**116,085**	96,983
Unallocated depreciations and amortisations		
Other than those presented in cost of sales and services	**18,192**	26,445
Total	**134,277**	123,428

Geographical information

The Group primarily operates in PRC. Substantially all non-current assets and revenue of the Group are located in and generated from PRC.

Information about a major customer

Revenue from customer during the Reporting Period contributing over 10% of the total revenue of the Group is as follows:

		2023	2022
		RMB'000	*RMB'000*
Customer A	**O&M**	**237,078**	*

* Revenue from this customer was less than 10% in 2022.

4. REVENUE

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**2,102,735**	1,857,797
Revenue from other sources		
Interest income generated from service concession arrangement	**35,464**	42,451
	2,138,199	1,900,248

Revenue from contracts with customers

(a) Disaggregation of revenue

For the year ended 31 December 2023

	Flue gas treatment business							
	EPC *RMB'000*	O&M *RMB'000*	Concession operation *RMB'000*	Others *RMB'000*	Water treatment business *RMB'000*	Hazardous and solid waste treatment/ disposal business *RMB'000*	Dual-carbon new energy[+] business *RMB'000*	Total *RMB'000*
Types of goods and services								
Rendering of services	**641,393**	**548,002**	**469,006**	**–**	**317,583**	**48,965**	**52,924**	**2,077,873**
Sales of goods	**–**	**–**	**–**	**24,862**	**–**	**–**	**–**	**24,862**
Total revenue from contracts with customers	**641,393**	**548,002**	**469,006**	**24,862**	**317,583**	**48,965**	**52,924**	**2,102,735**
Geographical market								
Mainland China	**641,393**	**548,002**	**469,006**	**24,862**	**317,583**	**48,965**	**52,924**	**2,102,735**
Total revenue from contracts with customers	**641,393**	**548,002**	**469,006**	**24,862**	**317,583**	**48,965**	**52,924**	**2,102,735**
Timing of revenue recognition								
Services transferred over time	**641,393**	**548,002**	**469,006**	**–**	**317,583**	**48,965**	**52,924**	**2,077,873**
Goods transferred at a point in time	**–**	**–**	**–**	**24,862**	**–**	**–**	**–**	**24,862**
Total revenue from contracts with customers	**641,393**	**548,002**	**469,006**	**24,862**	**317,583**	**48,965**	**52,924**	**2,102,735**

For the year ended 31 December 2022

	Flue gas treatment business				Water treatment business	Hazardous and solid waste treatment/ disposal business	Dual-carbon new energy+ business	Total
	EPC *RMB'000*	O&M *RMB'000*	Concession operation *RMB'000*	Others *RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods and services								
Rendering of services	568,983	400,429	461,653	–	270,878	11,717	107,637	1,821,297
Sales of goods	–	–	–	36,500	–	–	–	36,500
Total revenue from contracts with customers	568,983	400,429	461,653	36,500	270,878	11,717	107,637	1,857,797
Geographical market								
Mainland China	568,983	400,429	461,653	36,500	270,878	11,717	107,637	1,857,797
Total revenue from contracts with customers	568,983	400,429	461,653	36,500	270,878	11,717	107,637	1,857,797
Timing of revenue recognition								
Services transferred over time	568,983	400,429	461,653	–	270,878	11,717	107,637	1,821,297
Goods transferred at a point in time	–	–	–	36,500	–	–	–	36,500
Total revenue from contracts with customers	568,983	400,429	461,653	36,500	270,878	11,717	107,637	1,857,797

5. OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*RMB'000*
Government grants	**17,358**	7,087
– Taxes refunded	**17,084**	5,005
– Compensation for expenses incurred	**274**	2,082
Interest income	**12,914**	11,064
Gains on disposal of financial assets at fair value through profit or loss	**5,047**	–
Gains on disposal of non-current assets	**3,748**	–
Foreign exchange gains, net	**3,090**	11,930
Gain on fair value adjustment of contingent consideration	**542**	10,060
Gain on adjustment of acquisition consideration	**–**	160,921
Dividend income from financial assets at fair value through profit or loss	**–**	1,533
Others	**16,549**	12,266
Total	**59,248**	214,861

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as expenses (included in cost of sales and services)	**540,391**	658,110
Depreciation of property, plant and equipment	**58,370**	42,585
Depreciation of investment properties	**644**	644
Amortisation of other intangible assets*	**57,886**	72,084
Amortisation of other non-current assets	**17,377**	8,115
	134,277	123,428
Impairment of goodwill**	**–**	141,469
Auditor's remuneration	**3,002**	3,351
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits***	**265,131**	232,416
Contributions to retirement benefit scheme	**18,908**	21,904
Share-based payment expenses	**235**	4,334
	284,274	258,654

	2023 *RMB'000*	2022 *RMB'000*
Impairment of financial and contract assets:		
Impairment of trade receivables	**22,878**	11,188
(Reversal of impairment)/impairment of other receivables	**(113)**	3,758
Impairment of long-term receivable	**(1,105)**	294
Impairment of contract assets	**850**	148
Impairment amounts due from related parties	**476**	926
Impairment/(reversal of impairment) of receivables under service concession arrangement	**3,246**	(1,236)
	26,232	15,078
(Reversal of) provisions for inventory	**–**	(190)
Impairment of other intangible assets*	**–**	27,612
	–	27,422
Gross rental income from investment properties	**(490)**	(767)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the year (included in other operating income and expense, net)	**644**	644
	154	(123)
Share of profits of associates	**(11,437)**	(14,395)

* The amortisation of other intangible assets for the Reporting Period is included in "Cost of sales and services" in the consolidated statement of profit or loss.

** The impairment of goodwill and the impairment of other intangible asset are included in "Other expenses and losses" in the consolidated statement of profit or loss.

*** For the year ended 31 December 2023, the employee benefit expense included the cost of flexible staffing. ln order to increase the comparability, the Group revised the amount of employee benefit expense for the year ended 31 December 2022. As all the costs of employees have been recognized in cost and expenses of the consolidated statement of profit or loss, this change of disclosure caliber did not have any impact on other disclosure included in the financial statements.

7. INCOME TAX EXPENSE

PRC income tax has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising in PRC during the Reporting Period.

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**41,801**	34,946
Deferred income tax	**(4,558)**	(14,705)
Tax charge for the year	**37,243**	20,241

8. DIVIDEND

	2023	2022
	RMB'000	*RMB'000*
Proposed Final – HK3.50 cents (2022: HK3.00 cents) per ordinary share	**31,969**	27,652

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculations of basic and diluted earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation	**240,184**	151,749

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**996,668,799**	996,690,125
Effect of dilution – weighted average number of ordinary shares Award Share Scheme	**3,119,144**	4,170,911
	999,787,943	1,000,861,036

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

	2023	2022
	RMB'000	*RMB'000*
Current portion	**48,307**	49,762
Non-current portion	**457,517**	492,005
	505,824	541,767
Expected collection schedule is analysed as follows:		
Within one year	**48,307**	49,762
More than one year, but not more than two years	**46,947**	43,960
More than two years but not more than five years	**159,286**	149,153
More than five years	**251,284**	298,892
	505,824	541,767

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**1,249,480**	918,149
Less: Allowance for credit losses	**(67,971)**	(46,028)
	1,181,509	872,121

The Group generally grants credit periods of 30 to 90 days which are agreed with each of its trade customers. The extension of credit periods to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
1 to 90 days	**659,456**	420,120
91 to 180 days	**141,168**	110,363
181 to 365 days	**125,393**	74,948
1 to 2 years	**109,124**	203,426
2 to 3 years	**120,630**	45,089
Over 3 years	**25,738**	18,175
	1,181,509	872,121

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

	2023	2022
	RMB'000	*RMB'000*
At the beginning of year	**46,028**	35,846
Allowance for trade receivables	**22,878**	11,188
Write-off as uncollectible	**(935)**	(1,006)
At the end of year	**67,971**	46,028

12. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Bills payables	**202,231**	287,494
Trade payables	**915,149**	846,746
Total	**1,117,380**	1,134,240

An ageing analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
1 to 90 days	**307,507**	409,766
91 to 180 days	**280,152**	265,540
181 to 365 days	**150,248**	115,173
1 to 2 years	**187,248**	172,004
2 to 3 years	**96,393**	57,154
Over 3 years	**95,832**	114,603
	1,117,380	1,134,240

The trade payables are non-interest-bearing and are normally settled on 30-90 day credit terms.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a green ecological governance enterprise that provides environmental governance and comprehensive services for dual-carbon new energy^{+} business to industrial enterprises and cities. Our business mainly focuses on the areas of flue gas treatment, water treatment, hazardous waste treatment/disposal, dual-carbon new energy^{+}. We are customer-oriented, with the goal of achieving carbon neutrality and meeting customer needs as our mission. We always adhere to the philosophy of "service builds trust, and professionalism creates value", closely follow the development trend of the national environmental protection industry and aim for the goal of dual-carbon development, and are committed to developing into a highly competitive and first-class enterprise in the country, with integrated platforms comprising "environmental protection and dual-carbon management platform, operation service technology platform, and capital investment and financing platform", aiming to make positive contributions to the environmental protection and ecological civilization construction in the PRC and the world.

1. INDUSTRY OVERVIEW

2023 is the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China, and is also a landmark year in the field of ecological environment. Under the influence of domestic and foreign economic and political environments, the development of the environmental protection industry has been facing many opportunities and challenges. With the adjustment of the economic structure and the advancement of the new "dual circulation" development pattern, there is a clear trend of China's economy continuously transforming towards a high-quality development pattern, providing a broad market space for the environmental protection industry and the field of dual-carbon new energy^{+}.

Since the inherent driving force for the green transformation of economic and social development is insufficient, the foundation for the stable growth of the ecological and environmental quality is not yet secured. Hence, the total amount of pollutants and carbon emissions is still high, and the trend of ecosystem degradation in some regions has not been reversed radically, therefore the task of building a beautiful China remains arduous.

The Report on the First Compliance Cycle of the National Carbon Credits Trading Market released by the Ministry of Ecology and Environment shows that the cumulative trading volume of carbon emissions credits in the first compliance cycle (2019-2020) of the national carbon market was 179 million tons and the cumulative trading amount was RMB7.661 billion. The market has been operating in a stable and orderly manner with a stable rise in the trading prices. The operational framework of the national carbon emission allowances market has been basically established, the price discovery mechanism has initially taken effect, and the awareness and ability of enterprises to reduce emissions have been effectively improved, contributing to the achievement of the expected goals.

On 4 July 2023, the National Development and Reform Commission and other departments issued the "Notice on the Energy Efficiency Benchmark Levels and Baseline Levels in Key Industrial Areas (2023 Edition)". It is proposed that based on the energy consumption, scale, technical status and transformation potential of products in key industrial fields, the state should further expand the areas of energy efficiency requirements and further increase the scope of the transformation and upgrading of energy saving and carbon reduction in key industrial fields, which are essential for promoting green and low-carbon development in various industries.

On 19 July 2023, the "Opinion of the Central Committee of the Communist Party of China and the State Council on Promoting the Development and Growth of the Private Economy" was officially released. The opinion mentioned that the state should support private enterprises to participate in promoting carbon peaking and carbon neutrality, provide carbon reduction technologies and services, and increase investment in renewable energy power generation and energy storage, as well as participate in the trading of carbon emissions credits and energy consumption quota.

On 21 August 2023, the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Finance, the Ministry of Natural Resources, the Ministry of Ecology and Environment, the Ministry of Commerce and the General Administration of Customs issued the "Working Plan on the Stable Growth of Steel Industry" to accelerate the promotion of green and low-carbon transformation. According to the plan, the state will accelerate the ultra-low emission transformation process of steel enterprises, support steel enterprises in striving for A-level environmental performance, and encourage enterprises to implement technological transformations such as raw material yard mechanization, internal circulation of sintering flue gas and low-nitrogen combustion in furnaces. The state will support enterprises that have completed ultra-low emission transformation to develop collaboratively with other related industries such as ferroalloys, coking, chemicals, building materials and electricity to build a "consortium" for collaborative pollution abatement and carbon reduction. Meanwhile, it will support the carrying out of "extreme energy efficiency" transformation projects, explore the creation of super energy-efficient factories and accelerate the promotion and application of technology and equipment for energy saving and efficiency enhancing. It will also coordinate the development of the coking industry and steel and other industries, and promote the coking industry to increase its efforts in green and environmental protection transformation.

On 5 September 2023, the Ministry of Industry and Information Technology and the Ministry of Finance issued the "Notice on Issuing the Action Plan for Stable Growth of the Electronic Information Manufacturing Industry from 2023 to 2024". The plan proposes to encourage the construction of green factories in the electronic information manufacturing industry, carry out green factory evaluation in accordance with the "Green Factory Evaluation Guidelines for the Electronic Information Manufacturing Industry", promote recycling of industrial resource utilization, and vigorously develop and promote technology and equipment with functions such as efficient energy utilization, pollution reduction, waste resource utilization and harmless treatment. In view of carbon peaking and carbon neutrality, the state will promote the intelligent transformation and upgrading of the photovoltaic industry, as well as support breakthroughs in key smart photovoltaic technologies, innovative product applications and the construction of public service platforms.

On 7 December 2023, in order to continue to vigorously safeguarding the blue sky, the State Council issued the "Action Plan for Continuous Improvement of Air Quality". This is the third national-level action plan to safeguard the blue sky after the "Ten Atmospheric Measures" in 2013. The action plan specifies improving air quality as the core requirement, focusing on mitigating heavily polluted weather and solving outstanding atmospheric environmental problems around the people and taking the reduction of the concentration of fine particulate matter (PM2.5) as the main theme, so as to carry out regional collaborative governance. It also proposes to combine long and near-term research and planning to formulate an air pollution prevention and control path, vigorously promote the green and low-carbon transformation of industry, energy and transportation. In 2024, the state will focus on the investigation and rectification of inefficient and ineffective air pollution control facilities, as well as the upgrading and transformation of a large number of inefficient and ineffective terminal treatment facilities, which will contribute to the healthy, orderly and high-quality development of the industry.

On 29 December 2023, the National Development and Reform Commission, the Ministry of Housing and Urban-Rural Development and the Ministry of Ecology and Environment issued the "Implementation Opinions on Promoting the Synergy of Pollution Abatement and Carbon Reduction in Sewage Treatment". The opinions proposed that by 2025, the sewage treatment industry will achieve substantial progress on the synergy of pollution abatement and carbon reduction, resulting in a continuous improvement in energy efficiency levels and carbon reduction capabilities. The utilization rate of recycled water in water-scarce cities at prefecture level and above will reach more than 25%, and 100 green and low-carbon benchmark plants for sewage treatment with efficient recycling of energy resources will be built.

2. BUSINESS REVIEW

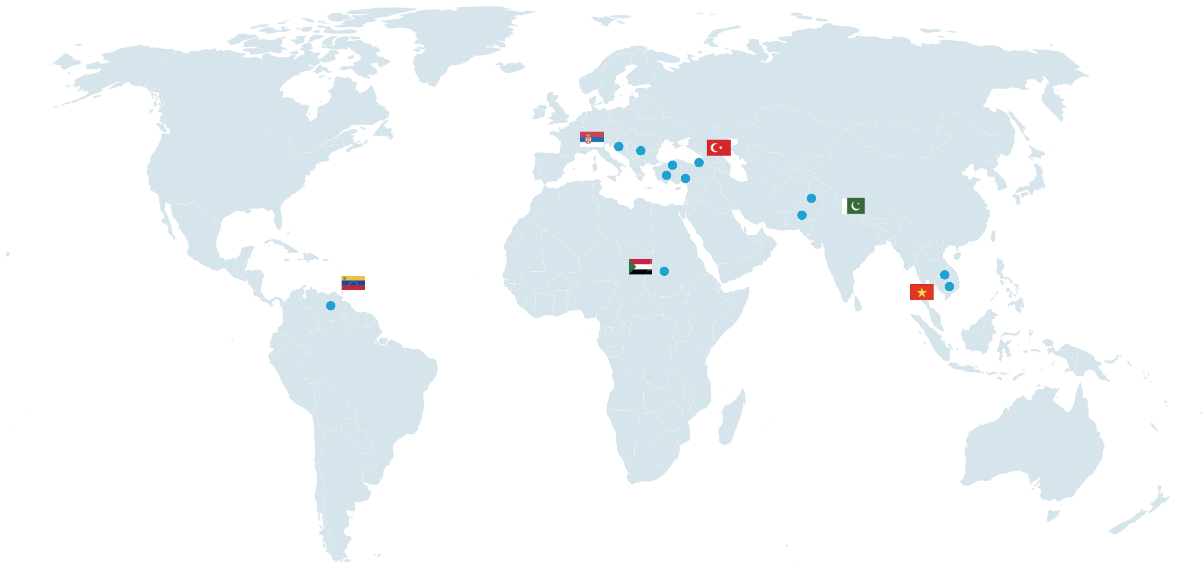
In 2023, global geopolitical tensions were prolonged and regional conflicts and turmoil occurred frequently, hence the world economic lacked growth momentum and recovery was slow. 2023 is the year when the economy resumed development after the release of the pandemic-related prevention and control measures. Facing the tumultuous international environment and various difficulties and challenges in the domestic economic recovery process, the Company insisted on seeking progress while maintaining stability, reinforcing stability by advancement, laying sound foundation before making breakthrough, enhancing its awareness of risks and maintaining its strategic focus. As such, the Company has not only consolidated its leading position in traditional business areas, but also quickly secured a foothold in the new energy power generation, energy storage and renewable energy sectors and continued to explore the new energy market.

In 2023, the thermal power industry, as the main source of energy in the PRC, was guided and promoted by government policies relating to environmental protection and power structure reform, leading to a period of recovery. With the large-scale launch of new construction and renovation projects of coal-fired power, the market demand for the supporting ultra-low emissions and energy-saving upgrading projects has increased significantly. The Company has closely followed the progress of new projects in the coal-fired power industry, seized market opportunities and proactively negotiated for related deals, thus successively secured a number of orders for dust removal, desulfurization and denitrification in the coal-fired power industry, quickly leveraging the market demand for flue gas management. While consolidating the stickiness of its existing customers, the Group has also focused on expanding its efforts on exploring new businesses, new customers and new industries. The water treatment service business has covered various industries such as coal chemical, steel, metallurgy, pharmaceuticals and papermaking. Projects in the field of hazardous and solid waste treatment/disposal have been progressing steadily, and the dual-carbon new energy$^+$ business has made major breakthroughs in the field of photovoltaic power generation and secured its first energy storage project order. The Group has overcome restraints in resources in the four business sectors of "gas – water – solid waste – dual carbon new energy$^+$" and achieved double growth in performance and revenue, fulfilling the Group's "14th Five-Year Plan" strategic goals.

As of 31 December 2023, the Group's projects had a broad geographic coverage over China, reaching 31 provinces, municipalities and autonomous regions in China. At the same time, our overseas business is also distributed in Europe, South Asia, Latin America, Africa and Southeast Asia.

The following map shows the distribution of the projects of the Group within the PRC as at 31 December 2023:

The following map shows the distribution of the projects of the Group outside the PRC as at 31 December 2023:



2.1 Flue Gas Treatment Business

As a provider of comprehensive green ecological treatment services for the industrial environment, the Group's business of flue gas treatment services is mainly conducted through various business models including environmental protection facility engineering ("**EPC**"), operation and maintenance ("**O&M**") and concession operations (including "**Build-Operate-Transfer**" or "**BOT**", and "**Build-Own-Operate**" or "**BOO**"). During the Reporting Period, we have continued to expand our business scale in electricity and non-electricity markets by continuously strengthening the construction of our customer service system, leveraging our engineering implementation experience and seizing opportunities arisen from favorable policies. Our business segments are as follows:

EPC

EPC business mainly involves providing project design, equipment and materials procurement, project construction and equipment installment services in relation to SO_2 or NOx emission control and dust removal for industrial customers such as power plants, steel factories, chemical plants, refining and building material companies. The Group seized the development opportunities arisen from the current domestic "thermal power" industry, and won the bid of the EPC Project for Desulfurization of 2X1000MW unit of Guoxin Binhai Port in the first half of 2023, which played a strong role in promoting the Group's deep expansion into the thermal power flue gas desulfurization project market. In the second half of 2023, the Group won 8 consecutive bids of thermal power projects, of which the EPC General Contracting Project for 2×1 Million Kilowatt Coal-power Integrated and Expanded Flue Gas Desulfurization System of the Large Power Plant of Inner Mongolia Energy Group is a million-unit project of the same level as Jiangsu Binhai Port. At the same time, the non-electricity market has also achieved satisfactory results. Among which, the Flue Gas Desulfurization, Denitrification and Ultra-low Emission Project for Newly Built 3#500㎡ Sintering Machine of Hegang Legang is the largest sintering flue gas treatment project of the Group in the steel industry. As of 31 December 2023, the Group had 18 new EPC projects, with a total contract value amounting to approximately RMB1,167 million.

The following table sets forth the status of the Group's newly added EPC projects during the Reporting Period:

No.	Project name	Type of project	Newly built/ upgraded	Date of entering into contract (Month/Year)	Aggregate contract value *RMB million*
1	EPC Project for 2×1000MW Newly Built Desulfurization of Jiangsu Guoxin Binhai Port Power Generation Co., Ltd.	Desulfurization	Newly built	February 2023	165
2	Supplementary Agreement on Flue Gas Treatment Volume Increase for the Procurement and Construction (PC) General Contracting Project for the Desulfurization Device of the Power Center of Shandong Yulong Thermal Power Co., Ltd	Desulfurization and denitrification	Newly built	February 2023	27
3	Desulfurization System Design Project for Unit #4 of Shanxi Zhaoguang Power Generation Co., Ltd.	Desulfurization	Upgraded	March 2023	1
4	Addition of Circulating Flues Project for Desulfurization of Sintering Plant Four Sintering of Hebei Jinxi Iron and Steel Group Co., Ltd.	Desulfurization	Newly built	April 2023	1
5	Amendment Agreement II of Desulfurization EP Project of Serbia Phase II	Desulfurization	Newly built	April 2023	24
6	Flue Gas Desulfurization and Absorption Tower Equipment Procurement Project for Coal and Thermal Power Cogeneration and Capacity Replacement of Datang International Douhe Power Plant	Desulfurization	Newly built	April 2023	23
7	EPC Project of SCR Denitrification Technology Transformation of Line A of No. 2 Plant of Tangshan Jidong Cement Co., Ltd., Tangshan Branch	Denitrification	Upgraded	May 2023	18
8	EPC General Contracting Project of 2×350MW Unit Flue Gas Desulfurization for Replacing the Minsheng Thermal Power Project of Henan Nengxin Thermal Power	Desulfurization	Newly built	July 2023	68
9	Equipment Sales and Purchase Project for the optimization and transformation of 1×330MW unit denitrification system ammonia injection of Donghai Thermal Power Plant	Denitrification	Upgraded	July 2023	4

No.	Project name	Type of project	Newly built/ upgraded	Date of entering into contract (Month/Year)	Aggregate contract value *RMB million*
10	General Contracting Project for the Design, Procurement and Construction (EPC) of Desulfurization Island of 2×660MW Ultra-critical Coal-fired Unit Project of Huainan Mining Group Panji Power Plant Phase II	Desulfurization	Newly built	July 2023	118
11	Supplementary Agreement on the EPC Project of Green Island of Jijiantou Shouyang Thermal Power Plant	Green Island	Newly built	July 2023	40
12	General Contracting Project for Power Generation System Construction Project (EPC) of 2×660MW Ultra-critical Coal-fired Unit of Huaineng Energy Holding Group's Xieqiao Power Plant	Desulfurization	Newly built	August 2023	114
13	Flue Gas Desulfurization, Denitrification and Ultra-low Emission Project for Hegang Legang's Newly Built 3#500 m^2 Sintering Machine	Desulfurization and denitrification	Newly built	October 2023	147
14	EPC General Contracting Project for 2×1 million kilowatt Coal and Electricity Integrated Expansion of Flue Gas Desulfurization System of Inner Mongolia Energy Group Zhunda Power Plant	Desulfurization	Newly built	November 2023	155
15	General Contracting Service Project for 4,000 tons/day Cement Kiln SCR Ultra-low Emission Upgrading Project of Tangshan Yandong Cement Co., Ltd.	Denitrification	Upgraded	November 2023	25
16	Desulfurization EPC Project for 2×350,000 kilowatt Low Calorific Value Coal Power Generation of Huadian Jinxing Xing County	Desulfurization	Newly built	December 2023	123
17	Denitrification Equipment Supply Project for 2×660MW Project of Guizhou Jinyuan Zhijin Power Plant	Denitrification	Newly built	December 2023	56
18	Denitrification Equipment Supply Project for 2×1000MW Combined Heat and Power Project of Hebei Jingneng Zhuozhou Thermal Power Expansion	Denitrification	Newly built	December 2023	58

O&M

O&M services mainly include operation services and regular maintenance services for desulfurization, denitrification and dust removal facilities owned by the customers. Under the O&M projects, our customers are either charged (i) service fees based on the total amount of on-grid electricity or sintered ton of ore generated during the service period, or (ii) a fixed price determined based on the pre-agreed scope of work. Revenue from the O&M business provides the Group with sustainable source of income and stable cash flow.

During the Reporting Period, the Group had a total of 32 O&M projects in operation, covering industrial sectors such as electricity and steel. In addition to the existing environmental protection facilities, the scope of operation and maintenance services of the Group has also been successfully expanded to the O&M of power generation units, coal transportation systems and terminal systems, achieving a breakthrough of the Company's O&M projects in new areas. In December 2023, the Group acquired the assets of the desulfurization and denitrification project of #1-#2 coal-fired generation units of Yangxi Power Plant, hence the flue gas desulfurization and denitrification O&M project of #1-#2 units of Yangxi Power Plant have been transformed into the operation of self-owned assets since the delivery date of the assets. This project not only has a long operation period, but also enriches the Group's project assets. The stable operation of each project and compliance with emission standards provide the Group with a steady source of performance growth.

The following table sets forth the installed capacities and status of the O&M projects of the Group under operation during the Reporting Period:

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiry date of service contract (Month/Year)	Installed capacity
1	O&M Project for Yangcheng #1-6 Unit Flue Gas Desulfurization	Desulfurization and dust removal	July 2018	March 2025	6×350MW
2	O&M Project for Yangcheng #7-8 Unit Flue Gas Desulfurization	Desulfurization, dust removal and slag removal	June 2018	March 2025	2×600MW
3	O&M Project for Qinzhou Desulfurization	Desulfurization	July 2015	June 2024	2×630MW+2×1000MW
4	O&M Project for Jingjiang Flue Gas Desulfurization and Dust Removal	Desulfurization and dust removal	March 2016	December 2025	2×660MW
5	O&M Project for Flue Gas Desulfurization and Denitrification of Yangxi Power Plant Unit #1-2 *(Note 1)*	Desulfurization and denitrification	January 2017	Asset delivery date	2×660MW
6	O&M Project for Flue Gas Desulfurization and Denitrification of Yangxi Power Plant Unit #3-4	Desulfurization and denitrification	January 2017	December 2028	2×600MW

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiry date of service contract (Month/Year)	Installed capacity
7	Commissioned Operation Project for Shouguang Auxiliary Ashing and Sulfurization Control System	Desulfurization	May 2018	March 2024	2×1000MW
8	O&M Project of Jinxi Steel	Denitrification, desulfurization and dust removal	March 2019	August 2026	265 m^2 sintering machines
9	O&M Project for Denitrification, Desulfurization and Dust Removal on 350 m^2 Sintering Machines of Tianjin Iron Plant	Denitrification, desulfurization and dust removal	November 2019	November 2025	350 m^2 sintering machines
10	O&M Project for Denitrification on 360 m^2 Sintering Machines of Tianjin Iron Plant	Denitrification	December 2019	December 2025	360 m^2 sintering machines
11	O&M Project for Desulfurization, Denitrification and Wastewater Zero-discharge System Equipment Maintenance Works of #5 & 6 units of Yangxi Plant	Desulfurization, denitrification and wastewater zero discharge	January 2022	August 2027	2×1240MW
12	Operation and Maintenance Service Project for Environmental Protection Facilities of Shanxi Yuguang Power Generation Co., Ltd.	Denitrification, desulfurization and dust removal	December 2021	July 2026	2×300MW+ 2×350MW
13	O&M Project of Hegang Chenggang *(Note 2)*	Denitrification, desulfurization and dust removal	April 2022	April 2027	180 m^2 sintering machines
14	Contract Operation Project for Desulfurization and Denitrification System of No. 2 Sintering Plant of Jinxi Iron and Steel Group Co., Ltd.	Denitrification, desulfurization and dust removal	July 2021	August 2026	265 m^2 sintering machines
15	O&M Project for Sintering Machine Flue Gas Purification Device relating to the Integrated Project of Removing the Old District of HBIS Hansteel from Urban Area of Handan Steel Group Co., Ltd.	Denitrification, desulfurization and dust removal	April 2023	April 2028	435 m^2 sintering machines
16	O&M Project for 2×1000MW Desulfurization System of Nanyang	Desulfurization system	August 2021	November 2024	2×1000MW

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiry date of service contract (Month/Year)	Installed capacity
17	Maintenance Project for 2×660MW Lime Sulfur and Coal Transportation of Panji Power Plant of Danji Huainan Mining	Ash and slag removal, desulfurization and denitrification	November 2022	November 2024	2×660MW
18	O&M Project for Environmental Protection Facilities of Shanxi International Energy Yuguang Coal and Electricity Co., Ltd.	Desulfurization and dust removal	April 2022	March 2025	1×1000MW
19	Desulfurizer Purchase and Sale Project of Chengde Branch of Hebei Steel Co., Ltd. *(Note 2)*	Denitrification, desulfurization and dust removal	February 2022	February 2027	180 m^2 sintering machines
20	Outsourcing Operation Project for Desulfurization and Denitrification of Sintering Plant 450 of Hebei Jinxi Steel Group Co., Ltd.	Desulfurization, denitrification and dust removal	September 2022	August 2025	450 m^2 sintering machines
21	Auxiliary Control Operation and Auxiliary Production Service Project for Ash Vulcanization of Qingyuan Power Plant of Guangdong Company	Auxiliary control operation and auxiliary production service for ash vulcanization	October 2022	October 2025	2×300MW+ 2×350MW
22	O&M Project (Excluding Desulfurization and Denitrification) for 135 MW Generator Unit of Jinxi Steel	O&M for generator unit	October 2022	October 2026	135MW
23	O&M Project for 299,000 cubic meters Blast Furnace Gas Tank of Jinxi Steel	O&M for gas cabinet equipment for vertical blast furnace	October 2022	October 2026	299,000
24	Emergency Repair Project for the Desulfurization System of Shizuishan	Desulfurization	February 2023	March 2023	4×330MW
25	Operation Project for Desulfurization and Denitrification of No. 1 Sintering Plant of Jinxi Iron and Steel Group Co., Ltd.	Desulfurization, denitrification and dust removal	September 2023	August 2026	265m^2 sintering machines
26	Outsourcing Contracting project for Pellet Desulfurization of Sintering Plant of Jinxi Iron and Steel Group Co., Ltd.	Desulfurization and dust removal	September 2023	August 2026	265m^2 sintering machines

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiry date of service contract (Month/Year)	Installed capacity
27	O&M Project for #1, #2 and #3, 250 Rolling Line Heating Furnace Denitrification System of Steel Company	Denitrification	September 2023 *(Note 3)*	August 2026	1,390,000 tons + 2,200,000 tons + 378,000 tons
28	O&M Project for Heating Furnace Denitrification System of Steel Sheet Pile Technology Co., Ltd.	Denitrification	September 2023 *(Note 3)*	August 2026	545,000 tons
29	O&M Project for Denitrification System of the First and Second Rolling Heating Furnaces of Jinxi Iron and Steel Strip Plant	Denitrification	September 2023	August 2026	2,686,000 tons
30	O&M Project for Green Island of 2×350MW Low Heating Value Coal Power Generation Project of Jijiantou Shouyang Thermal Power Co., Ltd. (transition period)	Desulfurization, denitrification and dust removal	Since the start of production preparations for the #1 & #2 unit of Green Island Project	October 2023 *(Note 4)*	2×350MW
31	Equipment Maintenance Project Contract for #1-#6 units of Yangxi Power Plant (maintenance of coal transportation system of the whole plant and dock system)	Coal transportation/terminal	December 2023	December 2028	2×600MW+ 2×660MW+ 2×1240MW
32	O&M Service Project for the Desulfurization System of the Power Center of Shandong Yulong Thermal Power Co., Ltd.	Desulfurization (including wet electrostatic precipitator)	March 2024 *(Note 5)*	March 2027	6×670t/h

Notes:

1. The project was transformed into self-owned asset operation from the asset delivery date of Units #1-#2 to December 2039. For details, please refer to the announcement of the Company dated 27 October 2023 and the circular of the Company dated 12 December 2023.

2. The owner's units suspended operation in October 2023. The times of the resumption of production and contract execution of the units are to be determined by the owner.

3. The service period of this project has been readjusted due to the signing of a supplementary agreement.

4. The expiration date of the transitional contract service period will be automatically postponed to the effective date of the formal O&M business contract.

5. The service period is tentative, and the specific beginning time of the service is subject to official notification from the owner.

Concession Operation Business

Under the concession operation business model, the Group is responsible for the financing, investment, construction and operation of a project according to its concession contracts with its customers.

In 2023, the Group continued to carry out its concession operation business, including desulfurization, denitrification and green island. As of 31 December 2023, the Group accumulated 7 operating concession operation projects, and apart from Shanxi Puzhou Phase I BOT Project *(Note 1)*, all of which have been put into operation smoothly, laying a strong foundation for the Group's continuous operation and stable development.

The following table sets forth details of the concession operation projects of the Group under operation during the Reporting Period:

No.	Project name	Installed capacity	Type of project	Newly built/ Upgraded	Total investment *RMB million*	Date of entering into contract (Month/Year)	Expiry date of concession period (Month/Year)
1	Jiangxi Jinggangshan BOT Project	2×300MW+ 2×660MW	Desulfurization	Newly built	224	January 2008 (for Phase I) August 2008 (for Phase II)	July 2030 (for Phase I) December 2030 (for Phase II)
2	Shanxi Hejin BOT Project	2×350MW	Denitrification	Newly built	122 *(Note 2)*	June 2012	September 2033 (for Unit #1) May 2033 (for Unit #2)
3	Shanxi Puzhou Phase I BOT Project *(Note 1)*	2×300MW	Denitrification	Newly built	84	June 2012	January 2034 (for Unit #1) May 2033 (for Unit #2)
4	Shanxi Puzhou Phase II BOT Project	2×350MW	Desulfurization	Newly built	112	May 2014	End of 2037
5	Xinjiang Shenhuo BOT Project	4×350MW	Green Island	Upgraded	496 *(Note 2)*	June 2017	End of 2032
6	Huainan Guqiao BOT Project	2×330MW	Green Island	Upgraded	173	May 2018	End of 2033
7	Xinjiang Guotai Xinhua BOT Project	2×350MW	Green Island	Upgraded	150	July 2018	June 2028
8	Guangxi Laibin Desulfurization, Denitrification and Dust Removal BOO Project	2×300MW	Green Island	Upgraded	281	December 2018	End of 2033

Notes:

1. Shanxi Puzhou Phase I BOT Project has been under negotiation stage for buy-back from the owner, and the related BOT business has been suspended.

2. According to the requirements of the national environmental protection policy, the current denitrification technical direction of the project needs to be changed from the original liquid ammonia to urea by the end of 2023. After a supplementary agreement was negotiated and signed by both parties, it is expected that the investment on Shanxi Hejin BOT Project and Xinjiang Shenhuo BOT Project will be increased by approximately RMB27 million and approximately RMB6 million respectively based on the original investment amount.

2.2 Water Treatment Business

During the Reporting Period, the newly signed orders for the Group's water treatment business increased significantly as compared with the same period last year. Relying on its engineering implementation experience and performance foundation in the field of water treatment, it not only achieved remarkable results in the papermaking industry, but also simultaneously achieved double zero breakthroughs in other industries. The Group successfully entered the coking salt-distribution zero-discharge sector and titanium dioxide industries, significantly increasing its market share in the field of industrial wastewater treatment, which has far-reaching significance for the expansion of the coverage of the Company's water treatment business segment. The Group also won the bids for EPC and O&M works in the external drainage deep treatment project supporting the sulfide-titanium ferro-titanium project of Inner Mongolia Guocheng Resources Comprehensive Utilization Co., Ltd., and has obtained a concession operation period of 20 years in the concentrated water salt extraction zero-discharge system project of the Lubao Industrial Park Wastewater Treatment Center, thus laying a solid foundation for the source of revenue of the Group's water treatment business. As of 31 December 2023, the Group had 14 water treatment projects in operation.

The following table sets forth details of the water treatment projects being implemented by the Group during the Reporting Period:

No.	Project name	Type of project	Date of entering into contract (Month/Year)	Expiry date of service contract/ concession operation period (Month/Year)
1	Sewage Advanced Treatment and Recycle Project for Coking Wastewater/Sewage and Renewable Resource Utilization of Shanxi Lubao Industrial Park	Asset acquisition	June 2019	Equivalent to the service life of the assets of the sewage treatment center
2	Concentrated Water Advanced Treatment System Project of Lubao Industrial Park Sewage Treatment Center	Self-built	November 2020	Equivalent to the service life of the assets of the sewage treatment center
3	Wastewater Zero Discharge Project for the Coking Plant of Tianjin Iron Works Co., Ltd.	EPC	August 2021	N/A
4	Wastewater Treatment System EPC Project of Binzhou Hongnuo Company	EPC	September 2021	N/A
5	Technical Service Project for Yakela Sewage Treatment Station of Sinopec Northwest Oilfield Branch	O&M	October 2021	February 2024 *(Note)*
6	Domestic Sewage Treatment and Operation Commissioned Project of Xinjiang Northwest Oilfield Drilling Team	O&M	January 2022	June 2024

No.	Project name	Type of project	Date of entering into contract (Month/Year)	Expiry date of service contract/ concession operation period (Month/Year)
7	Wastewater/Sewage Collection and Treatment Project of Changzhi Yuanyan Pharmaceutical Technology Co., Ltd.	O&M	January 2022	One year from the date of receiving sewage
8	Sewage Treatment and Renovation EPC Project for Pulping and Paper Production of Shandong Bohui Paper Co., Ltd.	EPC	April 2022	N/A
9	Supplementary Agreement for Wastewater Zero Discharge Project of Coking Plant of Tianjin Iron Works Co., Ltd.	EPC	January 2023	N/A
10	Installation and Construction Project for Ozone Room and Liquid Ammonia Storage System of Lubao Industrial Park Sewage Treatment Center	EPC	February 2023	N/A
11	Engineering Project for Concentrated Water Salt Extraction Zero Discharge System of Lubao Industrial Park Sewage Treatment Center	BOO	August 2023	20 years from the date of completion of performance acceptance
12	System Project for Production and Operation Technical Transformation Project of Sewage Treatment SS reduction (Suspended Solids Concentration) in 2023 of Yunnan Yunjing Lin Paper Co., Ltd.	EPC	August 2023	N/A
13	External Drainage Deep Treatment Project Supporting for the Iron Sulfur Titanium Project of Inner Mongolia Guocheng Resources Comprehensive Utilization Co., Ltd.	EPC+O&M	August 2023	The term of O&M is 9 years after EPC completion
14	HRO Concentrated Water Recovery Project for Gansu Baili Jinchang Project	EPC	October 2023	N/A

Note: The service period was originally scheduled to expire in September 2024. After negotiation between both parties, the service was terminated earlier in February 2024.

2.3 Hazardous and Solid Waste Treatment/Disposal Business

During the Reporting Period, focusing on large-scale industrial production enterprises and relying on profound experience on project operation and simple and convenient integrated equipment systems, the Group's O&M Project on the Treatment of Drilling Mud Solid Waste of Sinopec Xinjiang Work Area has been put into operation smoothly; the construction of the first phase of the Cement Kiln Co-processing Hazardous and Solid Waste Treatment Project of Tangshan Yandong has been completed and a hazardous waste management license has been successfully obtained; the disposal business of the Hazardous and Solid Waste Treatment and Disposal Center of Qinghai Boqi has been operating stably, and the waste packaging and waste photovoltaic panel resource recycling project is currently under construction.

2.4 Dual-Carbon New Energy⁺ Business

During the Reporting Period, the Group continued to promote the layout of its new energy+ business, and the Concession Operation Project on Dry Quenching Coke Waste Heat Power Generation of Tianjin Iron Works was operating smoothly and generating stable income. In April 2023, the Group won the bid for the EPC General Contracting Project for Distributed Photovoltaic of Zhejiang Post, with a tentative installed capacity up to 300MW and is expected to be no less than 150MW. The 7 distributed photovoltaic projects acquired in May 2023, with a total installed capacity of approximately 21MW, have all been successfully connected to the grid for power generation, beginning to create continuous revenue for the Group. In December 2023, the Group has made another progress in the energy storage field by signing a contract for the EPC General Contracting Project for Technical Transformation of Thermal Storage Joint Frequency Modulation Energy Storage of China Resources Qiaokou Power Plant. During the Reporting Period, the dual-carbon new energy⁺ business projects implemented by the Group are as follows:

No.	Project name	Type of project	Date of entering into contract (Month/Year)	Expiry date of service contract (Month/Year)
1	Equipment Supply Project for Dry Quenching Coke Waste Heat Power Generation of Shanxi Dongyi Coal Power and Aluminum Group Coal Chemical Co., Ltd.	EP	November 2021	N/A
2	BOT Project for Dry Quenching Works of Tianjin Iron Works Co., Ltd.	BOT	July 2022	July 2032
3	EPC General Contracting Project for 300MW Distributed Photovoltaic of Zhejiang Post	EPC	April 2023	N/A
4	Wuxi Photovoltaic Project *(Note)*	Acquisition of equity interest	May 2023	N/A
5	EPC General Contracting Project for Technical Transformation of Thermal Storage Joint Frequency Modulation Energy Storage of China Resources Qiaokou Power Plant	EPC	December 2023	N/A

Note: The seven distributed photovoltaic project assets acquired in May 2023, with a total installed capacity of approximately 21MW.

3. FINANCIAL POSITION AND OPERATING RESULTS

In 2023, guided and promoted by the government's policies on the reformation of environmental protection and energy structure, new energy industries such as coal-fired power, wind and solar energy storage have ushered in a period of recovery and development. The Company has also seized market opportunities and taken initiative to continuously explore into new market areas and actively developed new businesses and new clients, thereby expanding business scale and adding impetus to the Company's sustainable development. The overall production and operation of the Group have achieved good results, with revenue and net profit increasing compared with the same period last year and the asset structure remaining in sound condition.

Revenue

In the 2023 financial year, the Group's total revenue was RMB2,138 million, representing an increase of 12.5% from RMB1,900 million for the 2022 financial year, mainly due to the following reasons: (i) the existing orders have been carried out in an orderly manner; (ii) the increase in the number of newly operated projects in certain business sectors; and (iii) the year-on-year increase in power generation of certain O&M projects.

The Group generates revenue primarily from four operating segments: (i) flue gas treatment, (ii) water treatment; (iii) hazardous and solid waste treatment/disposal; and (iv) dual-carbon new energy+ business. The following table sets forth a breakdown of the revenue of the Group by segment for the periods indicated.

	Segment revenue Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Flue gas treatment business	**1,703,875**	1,510,016
EPC	**641,393**	568,983
O&M	**548,002**	400,429
Concession Operation	**489,618**	504,104
Of which: Construction	**19,887**	30,484
Operation	**469,731**	473,620
Others	**24,862**	36,500
Water treatment business	**317,583**	270,878
Hazardous and solid waste treatment/disposal business	**48,965**	11,717
Dual-carbon new energy+ business	**67,776**	107,637
Total	**2,138,199**	1,900,248

For the 2023 financial year, revenue generated from the Group's flue gas treatment business segment was as follows:

Revenue from EPC business was RMB641 million, representing an increase of 12.7% from RMB569 million for the 2022 financial year, mainly due to the fact that the Group actively carried out market expansion, resulting in an increase in the business scale;

Revenue from O&M business was RMB548 million, representing an increase of 37.0% from RMB400 million for the 2022 financial year, mainly due to the increase in the scale of the O&M business during the Reporting Period and the year-on-year increase in the power generation of certain O&M projects; and

Revenue from concession operation business was RMB490 million, representing a decrease of 2.8% from RMB504 million for the 2022 financial year, mainly due to the completion of technical transformation of certain concession operation projects, resulting in a decrease in construction revenue as compared with the same period last year.

For the 2023 financial year, revenue from the Group's water treatment business segment was RMB317 million, representing an increase of 17.0% from RMB271 million for the 2022 financial year, mainly due to market expansion and the increase in EPC projects in the water treatment business, resulting in an increase in revenue.

For the 2023 financial year, revenue from the Group's hazardous and solid waste treatment/disposal business segment was RMB49 million, representing an increase of 308.3% from RMB12 million for the 2022 financial year, mainly due to the resumption of normal operation of projects after the relaxation of the control measures and policies for COVID-19 and the completion of the environmental protection inspection during the Reporting Period.

For the 2023 financial year, revenue from the Group's dual-carbon new energy^{+} business segment was RMB68 million, representing a decrease of 37.0% from RMB108 million for the 2022 financial year, mainly because (i) certain projects were completed and put into operation, resulting in a decrease in construction revenue; and (ii) the operating EPC projects were near to completion, while newly signed projects were still in early stages of construction, resulting in a decrease in the scale of revenue.

Cost of Sales and Services

For the 2023 financial year, the Group's cost of sales and services was RMB1,702 million, representing an increase of 12.8% from RMB1,509 million for the 2022 financial year, mainly due to (i) the existing orders have been carried out in an orderly manner; (ii) the increase in the number of newly operated projects in certain business sectors; and (iii) the increase in power generation and labor cost of certain O&M projects.

For the 2023 financial year, the cost of sales and services of the Group's flue gas treatment business segment are as follows:

The cost of sales and services for EPC business amounted to RMB577 million, representing an increase of 7.9% from RMB535 million for the 2022 financial year, mainly due to the Group actively carrying out market expansion, resulting in the increase in the business scale and hence the increase in costs;

The cost of sales and services for O&M business amounted to RMB410 million, representing an increase of 43.4% from RMB286 million for the 2022 financial year, mainly due to (i) the increase in the scale of O&M business; and (ii) the increase in power generation and labor cost of certain O&M projects; and

The cost of sales and services for concession operation business amounted to RMB372 million, representing a decrease of 1.1% from RMB376 million for the 2022 financial year, mainly due to the completion of technical transformation of certain concession operation projects, resulting in a decrease in construction projects as compared with the same period last year.

For the 2023 financial year, the cost of sales and services for water treatment business segment was RMB269 million, representing an increase of 26.3% from RMB213 million for the 2022 financial year, mainly due to the increase in EPC projects of the water treatment business after market expansion, resulting in a corresponding increase in cost.

For the 2023 financial year, the cost of sales and services for hazardous and solid waste treatment/disposal business segment was RMB31 million, representing an increase of 138.5% from RMB13 million for the 2022 financial year, mainly due to the normal operation of projects during the Reporting Period after the relaxation of the control measures and policies for COVID-19 and the completion of the environmental protection inspection.

For the 2023 financial year, the cost of sales and services for dual-carbon new energy^{+} business segment was RMB43 million, representing a decrease of 49.4% from RMB85 million for the 2022 financial year, mainly because (i) the projects were completed and put into operation, resulting in a decrease in construction cost; and (ii) the operating EPC projects were near to completion, while newly signed projects were still in early stages of construction, resulting in a decrease in cost.

Gross Profit and Gross Profit Margin

For the 2023 financial year, the Group's gross profit was RMB436 million, representing an increase of 11.5% from RMB391 million for the 2022 financial year, and the gross profit margin was 20.4%, basically remaining stable from last year, mainly because (i) the existing orders have been carried out in an orderly manner; (ii) additional contracts were signed for certain EPC projects; and (iii) the increase in the number of EPC projects and O&M projects in operation during the Reporting Period resulted in the increase in gross profit as compared with last year.

The following table sets forth the Group's gross profit and gross profit margin for each of the business segment for the periods indicated:

	Year ended 31 December 2023		Year ended 31 December 2022	
		Gross Profit Margin		Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Flue Gas Treatment Business				
EPC	**64,277**	**10.0**	33,804	5.9
O&M	**137,944**	**25.2**	113,971	28.5
Concession Operation	**117,775**	**24.1**	128,126	25.4
Of which: Construction	**200**	**1.0**	244	0.8
Operation	**117,575**	**25.0**	127,882	27.0
Others	**24,787**	**99.7**	35,744	97.9
Water Treatment Business	**48,028**	**15.1**	58,084	21.4
Hazardous and Solid Waste Treatment/Disposal Business	**18,422**	**37.6**	(935)	(8.0)
Dual-Carbon New Energy+ Business	**24,867**	**36.7**	21,984	20.4
Total	**436,100**	**20.4**	390,778	20.6

For the 2023 financial year, the gross profit of the Group's flue gas treatment business segment is as follows:

The gross profit of EPC business was RMB64 million, representing an increase of 88.2% from RMB34 million for the 2022 financial year, mainly due to (i) the increase in the scale of the EPC business after market expansion; and (ii) additional contracts were signed for certain EPC projects, resulting in an increase in gross profit;

The gross profit of O&M business was RMB138 million, representing an increase of 21.1% from RMB114 million for the 2022 financial year, mainly due to (i) the increase in the scale of O&M business in operation after market expansion; and (ii) the increase in power generation of certain O&M projects, resulting in an increase in gross profit; and

The gross profit of the concession operation business was RMB118 million, representing a decrease of 7.8% from RMB128 million for the 2022 financial year, mainly due to the fact that certain concession projects entered the maintenance period and the cost increased, resulting in a decrease in gross profit.

For the 2023 financial year, the gross profit of the Group's water treatment business segment was RMB48 million, representing a decrease of 17.2% from RMB58 million for the 2022 financial year, mainly due to (i) the increase in the proportion of revenue from EPC projects; and (ii) adjustment in the water price settlement method for certain projects, resulting in a decrease in gross profit.

For the 2023 financial year, the gross profit of the Group's hazardous and solid waste treatment/disposal business segment was RMB18 million, which increased RMB19 million from negative RMB1 million for the 2022 financial year, mainly due to the normal operation of projects during the Reporting Period after the relaxation of the control measures and policies for COVID-19 and the completion of the environmental protection inspection.

For the 2023 financial year, the gross profit of the Group's dual-carbon new energy+ business segment was RMB25 million, representing an increase of 13.6% from RMB22 million for the 2022 financial year, mainly due to (i) certain projects were completed and put into operation in the second half of 2022, shifting from a construction period with lower gross profit to an operation period with higher gross profit; and (ii) new operating projects were added, resulting in an increase in gross profit..

Other Income and Other Gains

For the 2023 financial year, other income and other gains and losses consist primarily of interest income, investment gains, other gains and non-operating income.

For the 2023 financial year, the Group's other income and other gains, net were RMB59 million, representing a decrease of RMB156 million as compared with RMB215 million for the 2022 financial year, mainly attributable to the fact that the adjustment of the acquisition consideration for Qinghai Boqi was completed in 2022, while there was no material adjustment in 2023.

Selling and Distribution Expenses

For the 2023 financial year, the Group's selling and distribution expenses were RMB25 million, representing an increase of RMB5 million as compared with RMB20 million for the 2022 financial year, with the ratio of selling and distribution expenses to revenue increasing to 1.2% for the 2023 financial year from 1.1% for last year, mainly due to the increase in market expansion expenses.

Administrative Expenses

For the 2023 financial year, the Group's administrative expenses amounted to RMB102 million, representing an increase of RMB12 million as compared with RMB90 million for the 2022 financial year. The ratio of administrative expenses to revenue increased to 4.8% for the 2023 financial year from 4.7% for the 2022 financial year, mainly due to (i) the increase in the scale of administrative expenses due to mergers and acquisitions and the establishment of new operating entities; and (ii) the increase in certain labor costs.

Research and Development (“R&D”) Expenses

For the 2023 financial year, the Group’s R&D expenses amounted to RMB56 million, representing a decrease of RMB3 million as compared with RMB59 million for the 2022 financial year. The ratio of R&D expenses to revenue decreased from 3.1% for the same period last year to 2.6% for the 2023 financial year.

Finance Costs

The Group’s finance costs consisted of interest expenses on bank borrowings, other borrowings and lease liabilities. For the 2023 financial year, the Group’s finance costs were RMB14 million, remaining unchanged as compared with RMB14 million for the 2022 financial year.

Gearing Ratio

The gearing ratio is calculated as a percentage of the Group’s total liabilities over the Group’s total assets. For the 2023 financial year, the Group’s gearing ratio was 38.9%, decreased by 0.8 percentage points from 39.7% for the same period last year.

Income Tax Expenses

The income tax expenses of the Group for the 2023 financial year was RMB37 million, increased by 85.0% from RMB20 million for the 2022 financial year, mainly due to the increase in profit before tax of the Group for the Reporting Period.

Profit for the Year

For the 2023 financial year, the Group recorded a profit for the year of RMB237 million, representing an increase of RMB81 million from RMB156 million for the 2022 financial year. The increase was mainly due to (i) the increase in revenue of various business sectors, resulting in an increase in gross profit; (ii) the increase in government grants during the Reporting Period; and (iii) the increase in investment income of financial assets at fair value through profit or loss.

Profit Attributable to Owners of the Company

For the 2023 financial year, profit attributable to owners of the Company was RMB240 million, representing an increase of RMB88 million as compared with RMB152 million for the 2022 financial year.

Liquidity and Capital Resources

Taking into account the financial resources available to the Group, including cash and cash equivalents on hand, cash generated from operations and available facilities of the Company, and after diligent and careful enquiries, the Directors are of the view that the Group has sufficient working capital required for the Group’s operations at present and for the year ending 31 December 2024.

Cash Flows

At of 31 December 2023, the Group's bank balances and cash amounted to RMB349 million, representing a decrease of RMB53 million as compared with RMB402 million as of 31 December 2022, mainly due to (i) cash outflows during the construction period of certain investment projects; and (ii) cash outflows from acquisitions of operating entities during the Reporting Period.

Capital Expenditure

The capital expenditure of the Group comprises expenditures on the acquisition and construction of investment projects as well as equity investment. For the 2023 financial year, the total capital expenditure of the Group was RMB144 million, representing a decrease of 26.2% as compared with RMB195 million for the 2022 financial year.

Contingent Liabilities

As of 31 December 2023, the Group did not have any material contingent liabilities.

Pledge of the Group's Assets

As of 31 December 2023, the Group's bank borrowing of RMB43 million was secured by mortgage of certain properties and land use rights of the Group.

Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd. (江西井岡山博奇環保科技有限公司) ("**Jinggangshan Boqi**"), a subsidiary of the Company, as the lessee, had entered into a finance lease arrangement (the "**Finance Lease Agreement**") with CITIC Financial Leasing Co., Ltd. ("**CITIC Leasing**"). Beijing Boqi had pledged all its equity interests in Jinggangshan Boqi and the service fee receivables under the Jinggangshan Boqi service concession agreement to CITIC Leasing to guarantee its liabilities under the Finance Lease Agreement.

Handan Boqi Environmental Technology Co., Ltd. (邯鄲博奇環保科技有限公司) ("**Handan Boqi**"), a subsidiary of the Company, as the lessee, had entered into a finance lease arrangement (the "**Finance Lease Agreement**") with Jiangsu Financial Leasing Co., Ltd. (the "**Jiangsu Financial Leasing**"). Beijing Boqi had pledged all its equity interests in Handan Boqi and the service fee receivables under the Handan Boqi Service Concession Agreement to Jiangsu Financial Leasing to guarantee its liabilities under the Finance Lease Agreement.

4. RISK FACTORS AND RISK MANAGEMENT

Risks on environmental protection and pollution control policies

The Group provides substantially all of its environmental protection services to customers in the PRC, and the development of its businesses is greatly dependent on the pollution preventive policies of the PRC. Environmental protection industry is one of the major industries that benefit from the constant support of the PRC governments. The demand for the Group's environmental protection services and the revenue generated from are directly linked with the environmental protection requirements imposed on the current and potential customers of the Group. However, there can be no assurance that the specific favourable policies which are currently available will continue to exist. In addition, these policies and incentives may attract additional new market entrants to enter the market, and may also encourage the market entrants to provide other products or services with greater pollution control effects than the products and services of the Group. Therefore, there is no assurance that the Group will directly benefit from the changed industry policies. However, as the leader of the independent comprehensive flue gas treatment service provider in China, the Group will seize market opportunities to further cover the entire industrial chain of the flue gas treatment industry and explore potential markets. At the same time, the Group will actively develop new markets in non-electricity industries such as steel, petrochemicals and electrolytic aluminum, and develop environmental protection businesses such as industrial wastewater treatment and environment restoration, with a view to achieving the sustainable development of the Group's business.

Liquidity Risks

The Group's ability to generate adequate cash inflows from operating activities in the future will depend on the schedule of its projects and payment arrangement, its ability to recover receivables in a timely manner and the credit terms it can obtain. If the Group is not able to generate sufficient cash flows from its operations, the Group's development prospects may be materially and adversely affected. Ultimate responsibility for liquidity risk management rests with the Directors, who have established an appropriate liquidity risk management framework for the funding needs in the short, medium and long term and the Group's liquidity management requirements. The Group manages liquidity risk by various measures, such as maintaining adequate reserves, banking facilities and reserving bank facilities and continuously monitoring forecast and actual cash flows, as well as the comparison of maturity profile between financial assets and liabilities.

Credit Risks

The credit risk primarily arises from trade and notes receivables, receivables under concession arrangement, bank balance and cash, pledged bank deposit, contract assets, debt instrument at fair value through other comprehensive income, other receivables and amounts due from related parties. Due to the nature of business of the Group, the Group has significant concentration of credit risk on a small number of customers and the financial guarantee provided by the Group. As at 31 December 2023, the aggregated amount of the Group's trade receivables of the top five customers was RMB491 million, representing 39.3% of the total trade receivables of the Group as at 31 December 2023. The Group's concentration of credit risk by geographical locations is solely in the PRC, and the Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Foreign Exchange and Conversion Risks

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The Group is exposed to foreign exchange and conversion risks primarily through its sales and procurement transactions that are denominated in currencies other than RMB. In addition, RMB is not freely convertible into foreign currencies and the conversion of RMB into foreign currencies is subject to rules and regulations of the foreign exchange control promulgated by the PRC Government. The Group does not have a foreign currency hedging policy. However, the Board will monitor the Group's foreign exchange exposure closely and may, depending on the circumstances and trend of foreign currency, consider adopting significant foreign currency hedging policy in the future.

5. THE GROUP'S FUTURE OUTLOOK

Under the guidance of the Group's business development plan relating to the "14th Five-Year Plan", we have positioned the two major sectors of "environmental governance and dual-carbon new energy^{+}" as our dual development path, with a focus on advantageous industries and subdivided sectors. Through five years of development, the Group has formed three development channels of "existing business, emerging business and exploring business", and gradually realizes the development pattern of the integration of the four business segments, "gas, water, solid and dual-carbon new energy^{+}", striving to develop into a highly competitive domestic first-class trident platform comprising "environmental protection and dual-carbon management platform, O&M service technology platform and capital investment and financing platform".

The Group strives to formulate effective measures to achieve its development goal in each phase, and steadily promote the strategic layout of each business. Relying on the technology and experience of existing projects, the Group will stabilize the scale of the flue gas treatment business to form a solid foundation for the Group and provide effective support for the Group's transformation. The Group will allocate more resources to the water treatment business and actively expand the market share of the hazardous and solid waste treatment/disposal business. The Group will achieve rapid business growth through investment, mergers and acquisitions and technical cooperation to form a substitute basis, thus providing an additional growth driver to create new profit sources for the Group. The Group will accelerate the promotion of new energy business, target the segmentation field track, and will plan its business deployment in advance to form a supporting basis with a view to continuously providing momentum for the Group's development.

The Group will continue to promote refined management and optimize human resources, as well as strengthen the construction of the corporate system and use digital technology to build a comprehensive intelligent management platform in order to improve management efficiency. Emphasizing on high authorization from management, strict assessment and incentive schemes, we will comprehensively improve our system management and control capabilities, and use refined management as a means to provide strong support and guarantee for the development of the Group. Focusing on the business development and transformation of the Group, we will optimize the organizational structure and workforce, activate organizational vitality, strengthen internal control mechanisms, standardize corporate governance and improve internal incentive mechanisms, so as to create a sound corporate platform to attract high-caliber talents.

The Group will adhere to innovation-driven development and increase its R&D efforts. Against the backdrop of "Carbon Peaking and Carbon Neutrality", the technological R&D and innovation efforts of the Group will be more focused on new business sectors while expanding into other subdivided areas. Through the combination of technical cooperation and independent R&D, the Group will improve its own technological innovation capabilities and continuously achieve technological upgrades and breakthroughs to enhance its key technologies. By integrating resources such as technology, talents and markets, and taking into account specific business difficulties and needs, we will accelerate the transformation and application of technology and R&D results to build an advanced, scientific, standardized and high-quality low-carbon environmental protection service system.

Leveraging the power of the capital market, the Group will strive to realize industrial transformation and upgrading. The Group will optimize the industrial layout by various means, including the introduction of strategic shareholder resources, investment, mergers and acquisitions and multi-channel fundraising. Focusing on its development strategy, the Group will effectively expand its new businesses through investment, mergers and acquisitions. The Group will also introduce professional institutions to provide funds for mergers and acquisitions in the industry, which will be conducive to the transformation and synergy of the Group's business.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

From 27 April 2022 to 21 February 2023, the Company conducted a series of on-market transactions to dispose of an aggregate of 19,619,000 shares of China Risun Group Limited (中國旭陽集團有限公司) ("**CRGL**") (representing approximately 0.44% of the total issued CRGL's shares as of 23 February 2023) at an aggregate consideration of approximately HK$75.48 million (excluding transaction costs), representing an average price of approximately HK$3.85 per CRGL's share. The consideration of each of the disposals represented the prevailing market prices of the CRGL's shares at the respective time of each of the disposals and, after deducting transaction costs, was received by the Company in cash on settlement. Upon settlement of the disposals, the Group will cease to hold any CRGL's shares. For further details, please refer to the announcement of the Company dated 23 February 2023.

On 12 May 2023, Beijing Boqi (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and Wuxi Huadong Electric Power Equipment Co., Ltd. (無錫市華東電力設備有限公司) (the "**Vendor**"), entered into the equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Purchaser agreed to acquire, and the Vendor agreed to sell, 51% of the equity interest of the Wuxi Huadong No.1 Smart Energy Co., Ltd. (無錫華東壹號智慧能源有限公司) (the "**Target Company**") at a total consideration of RMB11.26 million. The Target Company is a company incorporated in the PRC specializing in operation of distributed photovoltaic investment. Upon completion of the Equity Transfer Agreement, 51% of the equity interest of the Target Company shall be held by the Purchaser and therefore the Target Company shall become a non-wholly-owned subsidiary of the Company. Pursuant to the Equity Transfer Agreement, the Vendor guarantees to the Purchaser that the net profit before tax of the Target Company for the period from 15 February 2023 to 31 December 2023, the year ended 31 December 2024 and the year ended 31 December 2025 (the "**Guarantee Period**") shall be no less than RMB2.50 million, RMB4.13 million and RMB4.07 million, respectively (the "**Target Profit Guarantee**"). If the Target Company fails to satisfy the Target Profit Guarantee, the shortfall shall be made up by the Vendor in cash within 30 days of the issuance of the accountants' report for the relevant financial year. If the actual net profit before tax for the Guarantee Period exceeds the Target Profit Guarantee, the excess shall be shared proportionally between the Purchaser and the Vendor on a 3:7 basis. It was also agreed between the Purchaser and the Vendor that, if the actual net profit before tax for the Guarantee Period is within the range of 95% to 105% of the Target Profit Guarantee, the Target Profit Guarantee shall be deemed to be satisfied, therefore no shortfall shall be made up and no excess shall be shared. During the Reporting Period, the corresponding Target Profit Guarantee was satisfied. For further details, please refer to the announcement of the Company dated 12 May 2023.

On 27 October 2023, Beijing Boqi entered into Yangxi #1-#2 facilities asset transfer of desulfurization and denitrification projects agreement (the "**Yangxi #1-#2 Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement**") with Guangdong Huaxia Electric Development Co., Ltd ("**Guangdong Huaxia Electric**") and Yangxi Haibin Electric Power Development Co., Ltd ("**Yangxi Electric**") in relation to, among others, acquisition of the #1-#2 desulfurization and denitrification facilities then owned by Yangxi Electric ("**Yangxi #1-#2 Facilities**") (except for land) by Beijing Boqi from Yangxi Electric (the "**Acquisition**"). The consideration of the Acquisition was approximately RMB154.26 million (excluding tax, being RMB174.31 million with tax included), which was determined by the parties after arm's length negotiation with reference to the asset value of Yangxi #1-#2 Facilities of approximately RMB159.03 million (excluding tax) as at 30 September 2023 appraised by an independent valuer. Completion shall take place when Yangxi Electric receives the entire consideration and completes the asset delivery procedures in accordance with Yangxi #1-#2 Facilities Asset Transfer of Desulfurization and Denitrification Projects Agreement. Upon completion, Beijing Boqi shall own all the rights and interest (except for land) in Yangxi #1- #2 Facilities. For further details, please refer to the Company's announcement dated 27 October 2023 and circular dated 12 December 2023.

Save as disclosed above, the Group had no significant investments held or material acquisitions and disposals of subsidiaries and associated companies during the Reporting Period and up to the date of this announcement.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2023, the Group had 1,579 employees in total (as at 31 December 2022: 1,459 employees), substantially all of whom were based in the PRC. The Group has established labor union branches. Currently, the Group has entered into employment contracts with all employees, in which the position, duties, remuneration, employment benefits, training, confidentiality obligations relating to trade secrets and grounds for termination, among other things are specified pursuant to PRC Labor Law and other relevant regulations.

The remuneration package of the employees includes salaries, bonuses and allowances. Our employees also receive supplemental medical provision, transportation allowances, meal allowances and other benefits. The Company carried out performance appraisals of employees at all levels, and implemented a performance-based salary system for management, project managers, sales directors and authorized legal representatives, and promoted the realization of business indicators through the evaluation, reward and punishment mechanism based on responsibility and rights and the staged performance review mechanism. The appraisal results are linked to performance-based remuneration and annual performance bonus. Taking into account of the characteristics of different business segments, the Company has established, improved and implemented various reward systems. By actively promoting the excess profit sharing mechanism, we has encouraged management team and employees to exert their subjective initiative to create greater efficiency for the Company. In compliance with applicable PRC regulations, the Company has contributed to social insurance funds, including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and housing funds for all its employees.

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) participate in a contribution retirement benefit plan managed by the local municipal government in the locations in which they operate. The Group's PRC subsidiaries are required to contribute a certain percentage of their respective employees' payroll to the retirement benefit plan in accordance with the rules of the contribution retirement benefit plan. Employees of these subsidiaries are entitled to retirement benefits from the abovementioned retirement plan at their normal retirement age. The Group also participates in a pension scheme under the rules and regulations of Mandatory Provident Fund Scheme (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately. The Group's contributions to the defined contribution schemes vest fully and immediately with the employees. Accordingly, (i) for the years ended 31 December 2022 and 2023, there was no forfeiture of contributions under the defined contribution schemes; and (ii) there were no forfeited contributions available for the Group to reduce its existing level of contributions to the defined contribution schemes as at 31 December 2023. No forfeited contributions may be used if there is forfeited contributions.

MAJOR SUBSEQUENT EVENTS

On 6 February 2024, Beijing Boqi and Richinfo Technology Co., Ltd. (彩訊科技股份有限公司) ("**Richinfo Company**") entered into a joint venture agreement (the "**JV Agreement**") in relation to the proposed formation of a company to be established under the law of the PRC for development of new energy business (the "**JV Company**"). Pursuant to the JV Agreement, Beijing Boqi shall make a capital contribution of RMB4 million in cash, representing 40% of the total registered capital of the JV Company and Richinfo Company shall make a capital contribution of RMB6 million in cash, representing 60% of the total registered capital of the JV Company. Richinfo Company is a connected person of the Company as defined under Chapter 14A of the Listing Rules as Mr. Zeng, the chairman of the Board, executive Director, chief executive officer and substantial shareholder of the Company, controls more than 30% of shares of Richinfo Company under an acting in concert party arrangement. Accordingly, the entering into of the JV Agreement constituted a connected transaction of the Company under the Listing Rules.

Save as disclosed in this announcement, after the Reporting Period and up to the date of this announcement, the Group had no significant events after the Reporting Period which need to be disclosed.

FINAL DIVIDEND

Taking into consideration various factors such as the new business development needs of the Group and its future capital expenditure plans, the Board recommends the payment of HK$3.50 cents per ordinary share as final dividend for the year ended 31 December 2023 (2022: HK$3.00 cents). No interim dividend was declared for the 2023 financial year. Subject to the Shareholder's approval at the AGM (as defined below), the proposed final dividend will be paid to the Shareholders on 10 July 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's Shares during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital, the prescribed minimum percentage of public float approved by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and permitted under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), are held by the public at all times up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate values and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules.

Mr. Zeng Zhijun assumed the dual roles of the chairman and the chief executive officer, which constitutes a deviation from code provision C.2.1 of the CG Code. With extensive experience in the environmental protection industry, Mr. Zeng Zhijun is responsible for the overall management, decision making and strategy planning of our Company and has been instrumental to the Group's growth and business expansion. Since Mr. Zeng Zhijun is one of the key persons of for the Group's management, the Board considers that vesting the roles of the chairman and the chief executive officer on the same person, Mr. Zeng Zhijun, would not create any potential harm to the interest of the Group and it is, on the contrary, beneficial to the management of the Group. In addition, the operation of the senior management of the Group and the Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Zeng Zhijun. The Board currently comprises three executive Directors (including Mr. Zeng Zhijun), four non-executive Directors and four independent non-executive Directors and therefore has a fairly strong independence element in its composition. Therefore, the Board considers that the deviation from the CG Code is appropriate and justified.

In order to maintain good corporate governance and to ensure the Company's compliance with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of the chairman and the chief executive officer separately. Save as disclosed herein, the Company complied with the code provisions as set out in the CG Code during the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company. Specific enquiries have been made to all Directors, the Directors have confirmed that they had strictly complied with the required standards set out in the Model Code during the Reporting Period. The Board has also adopted the Model Code to regulate all dealings by employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees was noted during the Reporting Period after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established the audit committee under the Board (the "**Audit Committee**") with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee comprises three members, namely Dr. Xie Guozhong, Mr. Zheng Tony Tuo and Ms. Zhang Fan. Dr. Xie Guozhong is the chairman of the Audit Committee.

The Audit Committee has reviewed the draft consolidated financial statements of the Group for the 2023 financial year. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and the internal control with senior management members. Based on this review and discussions with the management, the Audit Committee was satisfied that the Group's draft consolidated financial statements were prepared in accordance with accounting standards and fairly present the Group's financial position and results for the 2023 financial year.

REVIEW OF ANNUAL RESULTS

Scope of Work of Ernst & Young

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and the consolidated statement of comprehensive income and the related notes thereto for the 2023 financial year as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Company's auditors 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 the Company's auditors on the preliminary announcement.

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 31 May 2024. A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the Listing Rules in due course.

Closure of Register of Members

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both dates inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Monday, 27 May 2024.

In order to determine the entitlement to the proposed final dividend for the year ended 31 December 2023, the transfer books and register of members of the Company will be closed from Monday, 17 June 2024 to Wednesday, 19 June 2024, both days inclusive. During the above period, no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Friday, 14 June 2024.

Publication of Annual Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinaboqi.com) and the 2023 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
China Boqi Environmental (Holding) Co., Ltd.
Zeng Zhijun
Chairman, Executive Director and Chief Executive Officer

Beijing, PRC, 22 March 2024

As at the date of this announcement, the executive Directors are Mr. Zeng Zhijun, Mr. Liu Genyu and Ms. Qian Xiaoning; the non-executive Directors are Mr. Cheng Liquan Richard, Mr. Zheng Tony Tuo, Mr. Zhu Weihang and Mr. Chen Xue; and the independent non-executive Directors are Dr. Xie Guozhong, Mr. Lu Zhifang, Prof. Yu Wayne W. and Ms. Zhang Fan.