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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 2022

ANNUAL RESULTS HIGHLIGHTS

For the year ended 31 December 2022, the revenue of the Group amounted to RMB1,900 million, representing a decrease of 9.2% as compared with last year.

For the year ended 31 December 2022, the gross profit of the Group amounted to RMB391 million and the gross profit margin of the Group was 20.6%, representing an increase of 0.8% and 2.1 percentage points as compared with last year, respectively.

For the year ended 31 December 2022, the net profit of the Group amounted to RMB156 million with a net profit margin of 8.2%. Excluding gain and losses on fair value changes in financial asset at fair value through profit or loss and investment income, the Group's net profit was RMB227 million, representing an decrease of as compared with last year.

The Board has recommended the payment of HK$3.00 cents per ordinary share as final dividend for the year ended 31 December 2022 (31 December 2021: HK$7.40 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 2022 (the "**2022 financial year**" or the "**Reporting Period**"), together with comparative figures for 2021 (the "**2021 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 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Revenue	*4*	**1,900,248**	2,092,172
Cost of sales and services		**(1,509,470)**	(1,704,613)
Gross profit		**390,778**	387,559
Other income and gains	*5*	**214,861**	151,137
Other expense and losses		**(247,092)**	(14,574)
Selling and distribution expenses		**(19,910)**	(30,189)
Administrative expenses		**(89,726)**	(89,546)
Research and development expenses		**(58,662)**	(40,040)
Impairment losses on financial and contract assets		**(15,078)**	892
Share of profit of an associate		**14,395**	30,601
Finance costs		**(13,667)**	(9,786)
PROFIT BEFORE TAX	*6*	**175,899**	386,054
Income tax expenses	*7*	**(20,241)**	(37,652)
PROFIT FOR THE YEAR		**155,658**	348,402
Profit attributable to:			
Owners of the parent		**151,749**	348,239
Non-controlling interests		**3,909**	163
		155,658	348,402
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic (RMB)		**0.15**	0.35
– Diluted (RMB)		**0.15**	0.35

Consolidated Statement of Comprehensive Income

For the Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR		**155,658**	348,402
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		**916**	–
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**916**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**916**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**156,574**	348,402
Total comprehensive income attributable to:			
Owners of the parent		**152,665**	348,239
Non-controlling interests		**3,909**	163
		156,574	348,402

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**627,349**	590,267
Investment properties		**9,627**	10,271
Goodwill		**6,488**	147,957
Other intangible assets		**576,797**	650,714
Receivables under service concession arrangement	*10*	**492,005**	316,691
Investment in associates		**63,895**	80,101
Equity investments designated at fair value through other comprehensive income		**5,166**	–
Long-term receivable		**49,254**	45,548
Contract assets		**16,785**	202,027
Amounts due from related parties		**138,125**	138,852
Deferred tax assets		**45,656**	33,158
Other non-current assets		**55,046**	98,606
Total non-current assets		**2,086,193**	2,314,192
CURRENT ASSETS			
Receivables under service concession arrangement	*10*	**49,762**	24,865
Debt instruments at fair value through other comprehensive income		**287,538**	284,168
Inventories		**33,129**	29,549
Financial assets at fair value through profit or loss		**24,661**	178,771
Contract assets		**420,655**	240,308
Trade receivables	*11*	**872,121**	885,420
Prepayments, deposits and other receivables		**217,946**	157,426
Amounts due from related parties		**232,545**	177,547
Pledged time deposits and bank balances		**98,266**	142,009
Cash and cash equivalents		**402,488**	342,958
Total current assets		**2,639,111**	2,463,021

	Notes	2022 RMB'000	2021 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	12	**1,134,240**	1,136,336
Other payables, deposits received and accrued expenses		**341,495**	392,200
Contract liabilities		**109,009**	116,197
Income tax payable		**44,890**	26,222
Interest-bearing bank and other borrowings		**92,108**	82,566
Lease liabilities		**3,529**	3,264
Amounts due to related parties		**7,249**	15,701
Total current liabilities		**1,732,520**	1,772,486
NET CURRENT ASSETS		**906,591**	690,535
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,992,784**	3,004,727
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**82,029**	83,399
Lease liabilities		**35,092**	35,020
Deferred tax liabilities		**26,735**	28,942
Contingent consideration		**–**	10,060
Long-term payable		**–**	99,420
Total non-current liabilities		**143,856**	256,841
Net assets		**2,848,928**	2,747,886
EQUITY			
Equity attributable to owners of the parent			
Share capital		**67**	67
Treasury shares		**(1)**	(1)
Other reserves		**2,834,437**	2,741,045
		2,834,503	2,741,111
Non-controlling interests		**14,425**	6,775
Total equity		**2,848,928**	2,747,886

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 to 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 service
- Dual-carbon energy saving business

In the opinion of the directors of the Company ("Directors"), there is no single entity 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/Mainland China	RMB521,500,000	100%	–	Investment holding
Beijing Bosheng Environmental SCI – TECH Co., Ltd.	PRC/Mainland China	RMB10,000,000	–	100%	Investment holding
Beijing Boqi Electric Power SCI-TECH Co., Ltd. ("Beijing Boqi")	PRC/Mainland China	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/Mainland China	RMB81,000,000	–	100%	Concession operation services
Shanxi Puzhou Boqi Environmental Technology Co., Ltd. ("Puzhou Boqi")	PRC/Mainland China	RMB55,000,000	–	100%	Concession operation services
Shanxi Hejin Boqi Environmental Technology Co., Ltd. ("Hejin Boqi")	PRC/Mainland China	RMB25,000,000	–	100%	Concession operation services
Anhui Nengda Fuel Co., Ltd.	PRC/Mainland China	RMB20,000,000	–	100%	Sale of coal and chemicals
Shanxi Bo Yuan Qi Cheng Environmental Equipment Service Co., Ltd.	PRC/Mainland China	RMB10,000,000	–	100%	Operation and maintenance services
Changjizhou Boqi Environmental Technology Co., Ltd. ("Changjizhou Boqi")	PRC/Mainland China	RMB140,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services, concession operation services
Beijing Boqi Environmental Remediation Tech Co., Ltd.	PRC/Mainland China	RMB10,000,000	–	60%	Technology services, engineering and exploration services
Huainan Boqi Environmental Technology Co., Ltd. ("Huainan Boqi")	PRC/Mainland China	RMB50,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services
Laibin Boqi Environmental Technology Co., Ltd. ("Laibin Boqi")	PRC/Mainland China	RMB80,000,000	–	100%	Environmental protection facility engineering, operation and maintenance services
Changzhi Boqi Environmental Technology Co., Ltd. ("Changzhi Boqi")	PRC/Mainland China	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		Principal activities
			Direct	Indirect	
Tangshan Boqi Environmental Technology Co., Ltd.	PRC/Mainland China	RMB30,000,000	–	100%	Hazardous and solid waste treatment/ disposal service
Handan Boqi Environmental Technology Co., Ltd. ("Handan Boqi")	PRC/Mainland China	RMB75,000,000	–	70%	Energy saving and environmental protection business
Qinghai Boqi Ecological Environmental Technology Co., Ltd. ("Qinghai Boqi")	PRC/Mainland China	RMB30,000,000	–	92%	Hazardous and solid waste treatment/ disposal service
Beijing Boqi Tianqi Environmental Protection Technology Co., Ltd	PRC/Mainland China	RMB10,000,000		60%	Water treatment 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 all 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, the lawful currency of the PRC, ("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 Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. 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 or 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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of 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 construction 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) Water treatment business mainly involves the sewage treatment for coal chemical, coking, papermaking, steel, pharmaceutical sectors and industrial parks

(c) 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) Dual-carbon energy saving business mainly involves project engineering and design, procurement of equipment and materials, project construction, equipment installation and commissioning services

	Segment revenue *(Note 5)*		Segment profit	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Flue gas treatment business				
EPC	**568,983**	715,703	**33,804**	50,976
O&M	**400,429**	394,927	**113,971**	91,757
Concession operation	**504,104**	582,157	**128,126**	138,071
Others	**36,500**	58,802	**35,744**	58,584
Water treatment business	**270,878**	100,286	**58,084**	36,815
Hazardous and solid waste treatment/disposal business	**11,717**	20,062	**(935)**	4,386
Dual-carbon energy saving business	**107,637**	220,235	**21,984**	6,970
Total	**1,900,248**	2,092,172	**390,778**	387,559
Unallocated other income and gains			**214,861**	151,137
Unallocated other expense and losses			**(247,092)**	(14,574)
Unallocated selling and distribution expenses			**(19,910)**	(30,189)
Unallocated administrative expenses			**(89,726)**	(89,546)
Unallocated research and development expenses			**(58,662)**	(40,040)
Unallocated impairment/(reversal of impairment) on financial and contract assets			**(15,078)**	892
Unallocated share of profits of associates			**14,395**	30,601
Unallocated finance costs			**(13,667)**	(9,786)
Profit before tax			**175,899**	386,054

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the year ended 31 December 2022 (2021: nil).

Other segment information

	Total depreciation and amortisation	
	2022	2021
	RMB'000	*RMB'000*
Depreciations and amortisations presented in cost of sales and services		
Flue gas treatment business		
EPC	**65**	52
O&M	**6,441**	8,195
Concession operation	**61,086**	57,867
Water treatment business	**24,922**	15,601
Hazardous and solid waste treatment/disposal business	**4,469**	2,182
Sub-total	**96,983**	83,897
Unallocated depreciations and amortisations		
Other than those presented in cost of sales and services	**26,445**	16,214
Total	**123,428**	100,111

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

There is no customer contributing over 10% to the total revenue of the Group in 2022 and 2021.

4. REVENUE

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**1,857,797**	2,068,258
Revenue from other sources		
Interest income generated from service concession arrangement	**42,451**	23,914
	1,900,248	2,092,172

Revenue from contracts with customers

(a) Disaggregation of revenue

For the year ended 31 December 2022

	Flue gas treatment business							
	EPC	**O&M**	**Concession operation**	**Others**	**Water treatment business**	**Hazardous and solid waste treatment/ disposal business**	**Dual-carbon energy saving business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***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

For the year ended 31 December 2021

	Flue gas treatment business					Hazardous and solid waste treatment/ disposal business	Dual-carbon Energy saving business	
	EPC	O&M	Concession operation	Others	Water treatment business			Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Types of goods and services								
Rendering of services	715,703	394,927	558,243	–	100,286	20,062	220,235	2,009,456
Sales of goods	–	–	–	58,802	–	–	–	58,802
Total revenue from contracts with customers	715,703	394,927	558,243	58,802	100,286	20,062	220,235	2,068,258
Geographical market								
Mainland China	715,703	394,927	558,243	58,802	100,286	20,062	220,235	2,068,258
Total revenue from contracts with customers	715,703	394,927	558,243	58,802	100,286	20,062	220,235	2,068,258
Timing of revenue recognition								
Services transferred over time	715,703	394,927	558,243	–	100,286	20,062	220,235	2,009,456
Goods transferred at a point in time	–	–	–	58,802	–	–	–	58,802
Total revenue from contracts with customers	715,703	394,927	558,243	58,802	100,286	20,062	220,235	2,068,258

The following table shows the amounts of revenue recognised in the Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Rendering of services	**103,461**	60,952

5. OTHER INCOME AND GAINS

	2022 *RMB'000*	2021 *RMB'000*
Gain on adjustment of acquisition consideration	**160,921**	–
Interest income	**11,064**	15,660
Gain on fair value adjustment of contingent consideration	**10,060**	–
Government grants	**7,087**	3,446
– Taxes refunded	**5,005**	2,581
– Compensation for expenses incurred	**2,082**	865
Dividend income from financial assets at fair value through profit or loss	**1,533**	4,423
Gains on fair value changes of financial asset at fair value through profit or loss	**–**	106,362
Gains on disposal of financial assets at fair value through profit or loss	**–**	4,586
Other operating income and expense, net	**–**	1,557
Gains on disposal of an investment in an associate	**–**	1,101
Gains on disposal of non-current assets	**–**	153
Foreign exchange gains, net	**11,930**	–
Others	**12,266**	13,849
Total	**214,861**	151,137

6. PROFIT BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Cost of inventories recognised as expenses (included in cost of sales and services)	**658,110**	763,923
Depreciation of property, plant and equipment	**42,585**	35,620
Depreciation of investment properties	**644**	808
Amortisation of other intangible assets*	**72,084**	57,169
Amortisation of other non-current assets	**8,115**	6,514
	123,428	100,111
Impairment of goodwill**	**141,469**	–
Auditor's remuneration	**3,351**	2,706

	2022	2021
	RMB'000	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages, salaries and other benefits	**156,236**	207,420
Contributions to retirement benefit scheme	**13,175**	17,017
Share-based payment expenses	**4,334**	4,524
	173,745	228,961
Impairment/(reversal of impairment) of financial and contract assets:		
Impairment/(reversal of impairment) of trade receivables	**11,188**	(5,382)
Impairment of other receivables	**3,758**	859
Impairment of long-term receivable	**294**	1,072
(Reversal of) Impairment of contract assets	**148**	1,915
Impairment/(reversal of impairment) amounts due from related parties	**926**	(1,735)
(Reversal of) impairment of receivables under service concession arrangement	**(1,236)**	2,379
	15,078	(892)
(Reversal of) provisions for inventory	**(190)**	160
Impairment of other non-current assets	**–**	3,513
Impairment of property, plant and equipment	**–**	479
Impairment of other intangible assets*	**27,612**	–
Gross rental income from investment properties	**(767)**	(582)
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**	808
	(123)	226
Share of profits of an associate	**(14,395)**	(30,601)

* The amortisation of other intangible assets for the year 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" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

PRC income tax has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits arising in PRC during the Reporting Period.

	2022	2021
	RMB'000	*RMB'000*
Current income tax	**34,946**	29,519
Deferred income tax	**(14,705)**	8,133
Tax charge for the year	**20,241**	37,652

8. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Proposed Final – HK$3.00 cents (2021: HK$7.40 cents) per ordinary share	**26,542**	63,821

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 PARENT

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic/diluted earnings per share calculation	**151,749**	348,239

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**996,690,125**	995,113,089
Effect of dilution – weighted average number of ordinary shares		
Award Share Scheme	**4,170,911**	5,584,290
Share Option Scheme	**–**	169,196
	1,000,861,036	1,000,866,575

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

	2022	2021
	RMB'000	*RMB'000*
Current portion	**49,762**	24,865
Non-current portion	**492,005**	316,691
	541,767	341,556
Expected collection schedule is analysed as follows:		
Within one year	**49,762**	24,865
More than one year, but not more than two years	**43,960**	24,079
More than two years but not more than five years	**149,153**	81,839
More than five years	**298,892**	210,773
	541,767	341,556

11. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**918,149**	921,266
Less: Allowance for credit losses	**(46,028)**	(35,846)
	872,121	885,420

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:

	2022	2021
	RMB'000	*RMB'000*
1 to 90 days	**420,120**	497,717
91 to 180 days	**110,363**	107,758
181 to 365 days	**74,948**	140,689
1 to 2 years	**203,426**	96,172
2 to 3 years	**45,089**	23,470
Over 3 years	**18,175**	19,614
	872,121	885,420

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of year	**35,846**	35,639
Allowance for trade receivables	**11,188**	–
Acquisition of a subsidiary	**–**	7,273
Reversal of impairment losses	**–**	(5,382)
Write-off as uncollectible	**(1,006)**	(1,684)
At the end of year	**46,028**	35,846

12. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Bills payables	**287,494**	303,862
Trade payables	**846,746**	832,474
Total	**1,134,240**	1,136,336

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:

	2022	2021
	RMB'000	*RMB'000*
1 to 90 days	**409,766**	466,320
91 to 180 days	**265,540**	277,646
181 to 365 days	**115,173**	113,611
1 to 2 years	**172,004**	107,132
2 to 3 years	**57,154**	71,447
Over 3 years	**114,603**	100,180
	1,134,240	1,136,336

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 new energy+ to industrial enterprises and cities. Our business mainly focuses on flue gas treatment, water treatment, hazardous waste treatment/disposal, dual-carbon energy saving and 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 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

The year of 2022 is the year of the 20th National Congress of the Communist Party of China. It is also an important year for China to embark on a new journey to comprehensively build a modern socialist country and achieve the second centenary goal. Against the backdrop of fierce internal competition and increasingly complex and severe external environment, the environmental protection industry encounters an austere situation in which resources are actively integrated to improve adhesion. The pace of industry integration is accelerating, and industry competition is also intensified. The structural, deep rooted and trending pressures on ecological and environmental protection have not yet been fundamentally alleviated, and the governance of pollution problems in key regions and industries still needs to be further strengthened.

Currently, the fast developing stage of the environmental protection industry is over, and the era of mergers and integrations has just begun. Environmental protection services are provided in the new format of industrial chain integration, digitization, intelligence, integrated development and comprehensive disposal. The competition among environmental protection enterprises has gradually shifted from the hardcore strength of "investment and engineering" to the competition of soft strength of refined management in the area of "operation and technology". Under the new development trend, the environmental protection industry not only provides good technical support for pollution control, but also has opportunities for its own development.

On 20 January 2022, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Ecology and Environment jointly issued the "Guiding Opinions on Promoting the High-quality Development of the Iron and Steel Industry", which proposed to further promote green and low-carbon practice. The opinions require the industry to construct a resource recycling system for the mutual development of different industry sectors, so that more than 80% of steel production capacity will achieve ultra-low emission transformation, the comprehensive energy consumption per ton of steel will be reduced by more than 2% and the consumption intensity of water resources will be reduced by more than 10%, with a view to ensuring carbon peaks before 2030.

On 29 June 2022, the Ministry of Industry and Information Technology and other six departments issued the "Industrial Energy Efficiency Improvement Action Plan". Focusing on key industries, sectors and equipment which are energy-consuming, the plan requires to implement policies by industry and category and systematically improve the energy efficiency level in various industries, as well as strengthen energy management in all dimension in the whole chain and process, enhance standard guidance and energy-saving services, and coordinately improve the energy efficiency level of large, medium and small enterprises and industrial parks. It also proposes to coordinate and optimize industrial energy structure and digital empowerment to facilitate energy conservation and efficiency enhancement, and comprehensively improve the foundation of industrial energy efficiency. Promoting the improvement of industrial energy efficiency is an important way to reduce carbon emissions in industrial sectors and achieve the goal of carbon neutrality and carbon peaking.

On 1 August 2022, the Ministry of Industry and Information Technology, the National Development and Reform Commission and the Ministry of Ecology and Environment issued the "Implementation Plan for Carbon Peaking in Industrial Sectors". Positive progress has been made in the optimization of the industrial structure and energy-consumption structure, resulting in a great improvement in the utilization efficiency of energy resources and the formation of a number of green factories and green industrial parks, thus laying a solid foundation for carbon peaking in industrial sectors. By 2025, it is expected that the intensity of carbon dioxide emissions in key industries will drop significantly. During the "15th Five-Year Plan" period, the country will strive to achieve carbon peaking and carbon reduction by further optimizing the layout of the industrial structure and continuously lowering the intensity of industrial energy consumption and carbon dioxide emissions. On the basis of achieving carbon peaking in industrial sectors, the country will strengthen carbon neutrality capabilities and basically establish a modern industrial system featuring high efficiency, greenness, recycling and low carbon, with a view to ensuring carbon dioxide emissions peaking in industrial sectors by 2030.

On 2 November 2022, the Ministry of Science and Technology, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development, the Meteorological Bureau and the Forestry and Grassland Bureau jointly issued the "Special Plan for Scientific and Technological Innovation in the Field of Ecological Environment for the 14th Five-Year Plan". It is mentioned in the plan that in order to actively respond to the challenges encountered in the ecological and environmental governance of the PRC during the "14th Five-Year Plan" period, it is necessary to accelerate scientific and technological innovation in the ecological environment and formulate a green technology innovation system, so as to promote a comprehensive green transformation of the economic and social development and build a beautiful China. The plan focuses on the research and development of key technologies such as the coordinated prevention and control of fine particles (PM2.5) and ozone (O_3), the coordinated prevention and control of ecological environment risks relating to soil-groundwater and the coordinated reduction of pollution and carbon emissions.

On 14 December 2022, the Central Committee of the Communist Party of China and the State Council issued the "Strategic Planning Outline for Expanding Domestic Demand (2022-2035)", which proposes to put more efforts to the construction of ecological and environmental protection facilities. It also suggests to comprehensively improve the level of ecological environment infrastructure, build an environmental infrastructure system integrating the treatment and disposal facilities and monitoring and supervision capabilities for sewage, garbage, solid and hazardous waste and medical waste, as well as to form an environmental infrastructure network that extends from cities to towns and villages. It also requires to implement major projects for the protection and restoration of important ecosystems, promote the establishment of an ecological protection compensation system, comprehensively facilitate the efficient utilization of resources and construct ecological and environmental protection facilities that are conducive to the enhancement of clean energy utilization and the reduction of carbon dioxide emission. As such, the overall infrastructure of the environmental protection industry can be improved.

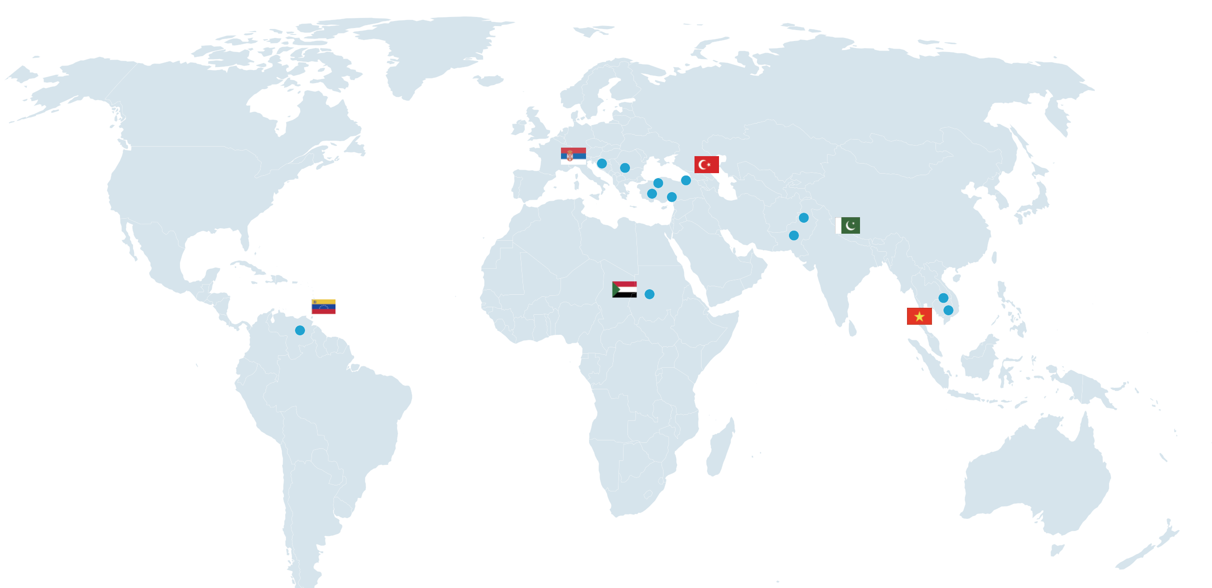
2. BUSINESS REVIEW

In 2022, as affected by the coronavirus pandemic, there were difficulties in the recovery of the world economy and the global production and supply chain was interrupted. Overall, the Chinese economy has been facing pressure from shrinking demand, supply shocks and weakening expectations. The production and operation activities in some industries and regions were stagnant, and the indicators such as industrial production and electricity consumption and freight transportation continued to decline. Against this backdrop, the business expansion and project execution of the Group were facing great challenges and its revenue was affected to a certain extent. Nevertheless, the Group has put great effort to develop and seek new drivers for profit growth, and continuously expand new businesses, secure new customers and enter into new industries, thus laying a solid foundation for the Group's strategic objectives in the "14th Five-Year Plan" and establishing our ecological niche in the era of environmental protection.

As of 31 December 2022, the Group's projects had a broad geographic coverage over China, reaching 31 provinces, municipalities and autonomous regions in China. During the Reporting Period, flue gas treatment and dual-carbon energy saving projects were mainly concentrated in North China and Central Southern China. Relying on the guidance of state policies and driven by the Group's strategic goals, the Group's business in steel and other non-electricity industries has achieved outstanding performance. Compared with the same period last year, the orders of O&M business have grown significantly and the contract periods have been relatively stable for a long term. Meanwhile, water treatment and hazardous and solid waste treatment/disposal projects have been steadily expanding in Northwest China, East China and North China.

The following map shows the distribution of the projects of the Group within the PRC as at 31 December 2022:

The following map shows the distribution of the projects of the Group outside the PRC as at 31 December 2022:



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 EPC, O&M and concession operations (including "**Build-Operate-Transfer**" or "**BOT**", and "**Build-Own-Operate**" or "**BOO**"). During the Reporting Period, we have deeply explored the remaining market of flue gas treatment business by continuously strengthening the construction of our customer service system and leveraging our engineering implementation experience. 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. In recent years, with changes in environmental protection policies, the Group has continued to expand the scope of EPC business customers, from the traditional coal-fired power plant flue gas treatment industry to other industries such as petrochemical, steel, gas, electrolytic aluminum, coking, refining and building materials, and has repeatedly achieved remarkable results in the non-electricity market. As of 31 December 2022, the Group had 10 new EPC projects, with a total contract value amounting to approximately RMB429 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 contract**	**Aggregate contract value** *RMB million*
1	Supplementary Agreement for SCR Denitrification Upgrading Project of Sintering Plant of Hebei Yanshan Steel Group Co., Ltd.	Denitrification	Upgraded	January 2022	2
2	The Project of Installation of Catalyst and Sonic Sootblower to No. 1 and No. 2 Boiler of Hebei Zhuozhou Jingyuan Thermal Power Co., Ltd.	Denitrification	Newly built	January 2022	7
3	Design Project for Sintered Particles Upgrading and Renovation Project of No. 1 and 3 Sintering Plants of Hebei Jinxi Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	2
4	Equipment Supply Project for Sintered Particles Upgrading and Renovation of No. 1 and 3 Sintering Plants of Hebei Jinxi Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	24

No.	Project name	Type of project	Newly built/ upgraded	Date of contract	Aggregate contract value *RMB million*
5	Construction and Installation Project for Sintered Particles Upgrading and Renovation of No. 1 and 3 Sintering Plants of Hebei Jinxi Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	25
6	General Contracting Project for Hot Blast Furnace Denitrification System of Iron-making Plant of Hebei Yanshan Steel Group Co., Ltd.	Denitrification	Newly built	March 2022	29
7	Upgrading Project of Ultra-low Emission Flue and Fan for Flue Gas Desulfurization and Denitrification of No. 4 Nickeliron Kiln of Guangdong Century Qingshan Nickel Industry Co., Ltd.	Desulfurization and denitrification	Upgraded	March 2022	23
8	Master Contracting Project of No. 1 Sintering Machine Flue Gas Purification Device relating to the Integrated Project of Removing the Old District of HBIS Hansteel from Urban Area	Desulfurization, denitrification and dust removal	Newly built	July 2022	115
9	Expansion Project for Flue Gas Desulfurization and Wet Electrostatic Dust Removal with 400kt/a Pre-baked Anode of Xinjiang Shenhuo Carbon Products Co., Ltd.	Desulfurization and dust removal	Upgraded	July 2022	57
10	Engineering Upgrading Project for 800kt/a Aluminum Alloy Electrolysis Flue Gas Desulfurization of Xinjiang Shenhuo Coal and Electricity Co., Ltd.	Desulfurization	Upgraded	August 2022	145

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 23 O&M projects in operation, covering industrial sectors such as electricity and steel. The scope of the Group's O&M services has successfully expanded from the original environmental protection facilities to O&M of generator units, and the 135 MW generator unit of Jinxi Steel which we have newly contracted is the first 135MW supercritical gas-powered generating set in China.

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	Yangcheng #1-6 Unit Flue Gas Desulfurization O&M Project *(Note 1)*	Desulfurization and dust removal	July 2018	March 2023	6×350MW
2	Yangcheng #7-8 Unit Flue Gas Desulfurization O&M Project *(Note 1)*	Desulfurization, dust removal and slag removal	June 2018	March 2023	2×600MW
3	Qinzhou Desulfurization O&M Project	Desulfurization	July 2015	June 2024	2×630MW+2×1000MW
4	Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	March 2016	December 2023	2×660MW
5	Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	January 2017	December 2025	2×660MW+2×600MW
6	Shouguang Auxiliary Ashing and Sulfurization Control System Commissioned Operation Project	Desulfurization	May 2018	March 2024	2×1000MW
7	Jinxi Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	February 2025	265 m^2 sintering machines
8	Jinxi Special Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	June 2023	2×210 ㎡+1×265 ㎡ sintering machines
9	Denitrification, Desulfurization and Dust Removal O&M Project on 350m^2 Sintering Machines of Tianjin Iron Plant	Denitrification, desulfurization and dust removal	November 2019	November 2022	350 ㎡ sintering machines
10	Denitrification O&M Project on 360m^2 Sintering Machines of Tianjin Iron Plant	Denitrification	December 2019	November 2022	360 ㎡ sintering machines
11	Desulfurization, Denitrification and Wastewater Zero-discharge System Equipment Maintenance Works under the O&M Project of No. 5 & 6 units of Yangxi Power Plant	Desulfurization, denitrification and wastewater zero-discharge	January 2022	August 2027	2×1240MW
12	Operation and Maintenance Service Project of Environmental Protection Facilities of Shanxi Yuguang Power Generation Co., Ltd.	Denitrification, desulfurization and dust removal	December 2021	July 2023	2×300MW+2×350MW
13	Hegang Chenggang O&M Project	Denitrification, desulfurization and dust removal	April 2022	April 2027	180 ㎡ sintering machines
14	Desulfurization and Denitrification System Contract Operation Project	Denitrification, desulfurization and dust removal	July 2021	June 2024	265 ㎡ sintering machines

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiry date of service contract (Month/Year)	Installed capacity
15	Sintering Machine Flue Gas Purification Device O&M Project 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	From the date of uploading the environmental protection information to the Internet	Contract period of 5 years	435 ㎡ sintering machines
16	2×1000MW Desulfurization System O&M Project of SDIC Nanyang	Lime sulfur system	August 2021	August 2023	2×1000MW
17	2×660MW Lime Sulfur and Coal Transportation and Maintenance Project of Panji Power Plant of Huainan Mining	Ash and slag removal, desulfurization and denitrification	November 2022	November 2024	2×660MW
18	Environmental Protection Facilities O&M Project 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.	Denitrification, desulfurization and dust removal	February 2022	June 2027	180 ㎡ sintering machines
20	Desulfurization and Denitrification Outsourcing Operation Project of Sintering Plant 450 of Hebei Jinxi Steel Group Co., Ltd.	Desulfurization and denitrification	September 2022	August 2025	450 ㎡ sintering machines
21	Ash Vulcanization Auxiliary Control Operation and Auxiliary Production Service Project of Qingyuan Power Plant of Guangdong Company	Ash vulcanization auxiliary control operation and auxiliary production service	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 blast furnace gas tank	October 2022	October 2026	299,000 cubic meters

Note 1: Upon the expiration of the contract, it can be renewed twice for one year according to the terms of the contract.

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 2022, the Group continued to carry out its concession operation business, including desulfurization, denitrification and green island. As of 31 December 2022, the Group accumulated seven concession operation projects *(Note 2)*, 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 *(Note 1)*:

No.	Project name	Installed capacity	Type of project	Newly built/ Upgraded	Total investment RMB million	Date of signing contract (Month/Year)	Expiry date of concession period (Month/Year)
1	Jiangxi Jinggangshan BOT Project	2×300MW+2×660MW	Desulfurization	Newly built and upgraded	386 *(Note 3)*	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	90	June 2012	September 2033 (for Unit #1) May 2033 (for Unit #2)
3	Shanxi Puzhou Phase I BOT Project *(Note 2)*	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	498 *(Note 3)*	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	303 *(Note 3)*	December 2018	End of 2033

Notes:

1. On 30 December 2022, Beijing Boqi and Shanxi Yuguang Power Generation Co., Ltd. (山西昱光發電有限責任公司) ("**Shanxi Yuguang**") entered into a termination agreement, pursuant to which, among others, Shanxi Yuguang agreed to purchase and Beijing Boqi agreed to sell the Yuguang BOT Facilities. For further details, please refer to the announcement of the Company headed "Discloseable Transaction — Disposal of the Yuguang BOT Facilities" dated 30 December 2022.

2. Shanxi Puzhou Phase I BOT Project is currently under negotiation of being repurchased by the owner, and the related BOT business has been suspended.

3. The environmental protection facilities of Jiangxi Jinggangshan BOT Project, Xinjiang Shenhuo BOT Project and Guangxi Laibin Desulfurization, Denitrification and Dust Removal BOO Project have been optimized in terms of their process, thus the investment amount has increased accordingly.

2.2 Water Treatment Business

During the Reporting Period, the Group's water treatment business has developed with favorable momentum. Relying on its engineering implementation experience and performance foundation in the field of water treatment, the Group successfully explored the markets of the pharmaceutical and paper industries. Changzhi Yuanyan Pharmaceutical Technology Co., Ltd. is a pharmaceutical enterprise in the park where the Group's Lubao Industrial Park Wastewater Treatment Project is located. The Group conducts advanced treatment and concentration of the pretreated wastewater to achieve near zero discharge in the park. The pulping and papermaking wastewater treatment transformation EPC project of Shandong Bohui Paper Co., Ltd. is a large-scale technical transformation general contracting project in the field of domestic pulping and papermaking wastewater treatment in recent years. The project adopts the Group's advanced industrial water treatment integrated technology to effectively remove COD and pollutants such as total nitrogen and total phosphorus to ensure the efficient and stable operation of the system, while realizing the reuse of reclaimed water and saving water resources. As of 31 December 2022, the Group had 3 new water treatment projects, with a total contract value of approximately RMB295 million.

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 signing contract	Expiry date of service contract (month/year)
1	Sewage Advanced Treatment and Recycle Project for Coking Waste water/sewage and Renewable Resource Utilization of Shanxi Lubao Industrial Park	N/A *(Note)*	June 2019	N/A
2	Concentrated Water Advanced Treatment System Project of Lubao Industrial Park Sewage Treatment Center	N/A *(Note)*	November 2020	N/A
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	September 2024
6	Domestic Sewage Treatment and Operation Commissioned Project of Xinjiang Northwest Oilfield Drilling Team	O&M	January 2022	June 2024
7	Wastewater/Sewage Collection and Treatment Project of Changzhi Yuanyan Pharmaceutical Technology Co., Ltd.	O&M	January 2022	January 2023
8	Sewage Treatment and Renovation EPC Project for Pulping and Paper Production of Shandong Bohui Paper Co., Ltd.	EPC	April 2022	N/A

Note: Such projects belong to self-owned assets and are not applicable to this classification

2.3 Hazardous and Solid Waste Treatment/Disposal Business

During the Reporting Period, the Group's Drilling Mud Solid Waste Treatment O&M Project in Xinjiang Drilling Area has been operating smoothly, with a designed processing capacity of 120,000 tons per year. In the field of co-processing of cement kilns, the construction of the first phase of the Cooperative Hazardous and Solid Waste Disposal Project of Tangshan Yandong Cement Kiln in China has been completed, and the hazardous waste business license is being processed. The project is planned to be invested and constructed in two phases. After the completion and operation of the project, the annual processing capacity of hazardous solid waste is expected to reach about 100,000 tons. Qinghai Boqi, a subsidiary of the Group, was affected by factors such as increasingly stringent regulatory environment and landscape on cross-province transfer of hazardous waste in the Qinghai Province and the lockdown caused by the coronavirus pandemic in 2022, which resulted in significant changes in operating environment and future development prospects of Qinghai Boqi. The Group has further signed a supplementary agreements to adjust the consideration for acquisition of Qinghai Boqi with reference to the revised valuation as at 30 June 2022[(note)], which greatly reduced the Group's investment cost on the projects of Qinghai Boqi. The Group has invested in the construction of the Hazardous Waste Packaging Comprehensive Utilization Project of Qinghai Boqi. Through the planning of its hazardous and solid waste treatment/disposal business, the Group is expected to further open up the market of the hazardous and solid waste treatment/disposal business.

Note: For further details, please refer to the Company's announcement dated 2 December 2022.

2.4 Dual-Carbon Energy Saving Business

During the Reporting Period, the Group's dual-carbon energy saving business was carried out in an orderly manner, and it always seeks to further expand its market share in the field of dual-carbon energy saving business. The CDQ Project of Tianjin Iron Plant has been officially put into operation during the Reporting Period. The contract model was changed from the original EMC model to the BOT model in July 2022 with a contract term of 10 years, which will provide a stable source of income for the Group in the mid- to long-term, thus laying a foundation for the strategic deployment of the Group's dual-carbon energy saving business.

3. FINANCIAL POSITION AND OPERATING RESULTS

In 2022, as affected by the local and overseas macroeconomy and the domestic pandemic situation, the Company's market expansion and project execution were restricted, bringing great challenges to the production and operation of the Company. Nevertheless, the Company has continued to step up its efforts to explore new business areas and improve its organizational management level and technological innovation capabilities, thus ensuring the normal operation of various business segments and maintaining a sound asset structure.

Revenue

In the 2022 financial year, the Group's total revenue was RMB1,900 million, representing a decrease of 9.2% from RMB2,092 million in the 2021 financial year, mainly due to the following reasons: (i) the progress of certain EPC projects was delayed due to the impact of the lockdown policy relating to coronavirus pandemic; (ii) the power generation of certain concession operation projects decreased as compared with 2021 and the services under Shanxi Yuguang BOT Project were terminated; and (iii) the revenue from the hazardous and solid waste treatment/disposal business decreased due to the impact of the coronavirus pandemic and environmental inspections.

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 energy saving 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	
	2022	2021
	RMB'000	*RMB'000*
Flue Gas Treatment Business	**1,510,016**	1,751,589
EPC	**568,983**	715,703
O&M	**400,429**	394,927
Concession Operation	**504,104**	582,157
Of which: Construction	**30,484**	39,439
Operation	**473,620**	542,718
Others	**36,500**	58,802
Water Treatment Business	**270,878**	100,286
Hazardous and Solid Waste Treatment/Disposal Business	**11,717**	20,062
Dual-Carbon Energy Saving Business	**107,637**	220,235
Total	**1,900,248**	2,092,172

For the 2022 financial year, revenue generated from the Group's flue gas treatment business segment was as follows:

- Revenue from EPC business was RMB569 million, representing a decrease of 20.5% from RMB716 million for the 2021 financial year, mainly due to the delay in the progress of new contracts, tender works and certain EPC projects under operation as a result of the impact of the lockdown policy relating to coronavirus pandemic;

- Revenue from O&M business was RMB400 million, representing an increase of 1.3% from RMB395 million for the 2021 financial year, mainly due to the increase in the number of new mid- and long-term O&M orders in the non-electricity sector; and

- Revenue from concession operation business was RMB504 million, representing a decrease of 13.4% from RMB582 million for the 2021 financial year, mainly due to (i) a year-on-year decrease in power generation of certain concession operation projects as a result of the impact of the coronavirus pandemic; and (ii) the termination of the services under Shanxi Yuguang BOT Project.

For the 2022 financial year, revenue from the Group's water treatment business segment was RMB271 million, representing an increase of 171.0% from RMB100 million for the 2021 financial year, mainly due to market expansion and the increase in business scale.

For the 2022 financial year, revenue from the Group's hazardous and solid waste treatment/disposal business segment was RMB12 million, representing a decrease of 40.0% from RMB20 million for the 2021 financial year, mainly due to the delay in related administrative approvals under the impact of the coronavirus pandemic and environmental inspections, which resulted in the restriction on operations and declining revenues.

For the 2022 financial year, revenue from the Group's dual-carbon energy saving business segment was RMB108 million, representing a decrease of 50.9% from RMB220 million for the 2021 financial year, mainly because construction revenue significantly decreased year-on-year as the related projects completed construction and entered into operating stage.

Cost of Sales and Services

For the 2022 financial year, the Group's cost of sales and services was RMB1,509 million, representing a decrease of 11.5% from RMB1,705 million for the 2021 financial year, mainly due to (i) the delay in the progress of certain EPC projects due to the impact of the lockdown policy relating to coronavirus pandemic; (ii) a decrease in power generation of certain concession operation projects as compared to 2021 and the termination of the services under the Shanxi Yuguang BOT Project; and (iii) the hazardous and solid waste treatment/disposal business being affected by the coronavirus pandemic and environmental inspections.

For the 2022 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 RMB535 million, representing a decrease of 19.5% from RMB665 million for the 2021 financial year, mainly due to the delay in the progress of new contracts, tender works and certain EPC projects under operation as a result of the impact of the lockdown policy relating to coronavirus pandemic;

- The cost of sales and services for O&M business amounted to RMB286 million, representing a decrease of 5.9% from RMB304 million for the 2021 financial year, mainly due to the reduction of operating costs resulting from changes in the service scope of certain projects and optimization of organization and management; and

- The cost of sales and services for concession operation business amounted to RMB376 million, representing a decrease of 15.3% from RMB444 million for the 2021 financial year, mainly due to (i) the decrease in power generation of certain concession operation projects and the termination of the services under Shanxi Yuguang BOT Project; and (ii) the reduction in operating cost due to the optimization of production process.

For the 2022 financial year, the cost of sales and services for water treatment business segment was RMB213 million, representing an increase of 238.1% from RMB63 million for the 2021 financial year, mainly due to market expansion and the increase in business scale.

For the 2022 financial year, the cost of sales and services for hazardous and solid waste treatment/disposal business segment was RMB13 million, representing a decrease of 18.8% from RMB16 million for the 2021 financial year, mainly due to the delay in related administrative approvals under the impact of the coronavirus pandemic and environmental inspections, which resulted in the restriction on operations and declining costs.

For the 2022 financial year, the cost of sales and services for dual-carbon energy saving business segment was RMB85 million, representing a decrease of 60.1% from RMB213 million for the 2021 financial year, mainly because construction cost significantly decreased year-on-year as the related projects completed construction and entered into operating stage.

Gross Profit and Gross Profit Margin

For the 2022 financial year, the Group's gross profit was RMB391 million, representing an increase of 0.8% from RMB388 million for the 2021 financial year, and the gross profit margin was 20.6%, increased by 2.1 percentage points from the 2021 financial year, mainly because of the reduction in operating cost due to the optimization of production process of projects and organizational management.

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			
	2022		2021	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Flue Gas Treatment Business				
EPC	**33,804**	**5.9**	50,976	7.1
O&M	**113,971**	**28.5**	91,757	23.2
Concession Operation	**128,126**	**25.4**	138,071	23.7
Of which: Construction	**244**	**0.8**	817	2.1
Operation	**127,882**	**27.0**	137,254	25.3
Others	**35,744**	**97.9**	58,584	99.6
Water Treatment Business	**58,084**	**21.4**	36,815	36.7
Hazardous and Solid Waste Treatment/ Disposal Business	**(935)**	**(8.0)**	4,386	21.9
Dual-Carbon Energy Saving Business	**21,984**	**20.4**	6,970	3.2
Total	**390,778**	**20.6**	387,559	18.5

For the 2022 financial year, the gross profit of the Group's flue gas treatment business segment is as follows:

- The gross profit of EPC business was RMB34 million, representing a decrease of 33.3% from RMB51 million for the 2021 financial year, mainly due to the delay in the progress of new contracts, tender works and certain EPC projects under operation as a result of the impact of the lockdown policy relating to coronavirus pandemic;

- The gross profit of O&M business was RMB114 million, representing an increase of 23.9% from RMB92 million for the 2021 financial year, mainly due to the reduction of operating costs resulting from changes in the service scope of certain projects and the optimization of organizational management; and

- The gross profit of the concession operation business was RMB128 million, representing a decrease of 7.2% from RMB138 million for the 2021 financial year, mainly due to the decrease in power generation of certain concession operation projects and the termination of services under the Shanxi Yuguang BOT Project.

For the 2022 financial year, the gross profit of the Group's water treatment business segment was RMB58 million, representing an increase of 56.8% from RMB37 million for the 2021 financial year, mainly due to market expansion and the decrease in unit price of certain consumption materials.

For the 2022 financial year, the gross profit of the Group's hazardous and solid waste treatment/disposal business segment was negative RMB1 million, representing a decrease of 125.0% from RMB4 million for the 2021 financial year, mainly due to the delay in related administrative approvals under the impact of the coronavirus pandemic and environmental inspections, which resulted in the restriction on operations and declining gross profit.

For the 2022 financial year, the gross profit of the Group's dual-carbon energy saving business segment was RMB22 million, representing an increase of 214.3% from RMB7 million for the 2021 financial year, mainly because gross profit significantly increased year-on-year as the related projects completed construction and entered into operating stage.

Other Income and Gains

For the 2022 financial year, other income and gains consist primarily of interest income, exchange gains and losses, gain on adjustment of acquisition consideration and rental income.

For the 2022 financial year, the Group's other income and gains were RMB215 million, representing an increase of RMB64 million as compared with RMB151 million for the 2021 financial year, mainly attributable to the gain on adjustment of acquisition consideration for Qinghai Boqi.

Selling and Distribution Expenses

For the 2022 financial year, the Group's selling and distribution expenses were RMB20 million, representing a decrease of RMB10 million as compared with RMB30 million for the 2021 financial year, with the ratio of selling and distribution expenses to revenue declining to 1.1% for the 2022 financial year from 1.4% for last year, mainly due to the hampering on sales activities under coronavirus pandemic, which resulted in a decrease in sales and distribution expenses.

Administrative Expenses

For the 2022 financial year, the Group's administrative expenses amounted to RMB90 million, remaining unchanged as compared with RMB90 million for the 2021 financial year. The ratio of administrative expenses to revenue increased to 4.7% for the 2022 financial year from 4.3% for the 2021 financial year, mainly due to the decrease in revenue caused by the coronavirus pandemic as compared to last year, resulting in an increase in the ratio of administrative expenses to revenue.

Research and Development ("R&D") Expenses

For the 2022 financial year, the Group's R&D expenses amounted to RMB59 million, representing an increase of RMB19 million as compared with RMB40 million for the 2021 financial year. The ratio of R&D expenses to revenue increased from 1.9% for the 2021 financial year to 3.1% for the 2022 financial year, mainly due to the sustainable R&D investment in certain projects and expansion of new business, with a view to enhancing the Company's competitiveness in the market, resulting in an increase in the Group's investment in R&D.

Finance Costs

The Group's finance costs consisted of interest expenses on bank borrowings, other borrowings and lease liabilities. For the 2022 financial year, the Group's finance costs were RMB14 million, representing an increase of RMB4 million as compared with RMB10 million for the 2021 financial year, mainly due to the increase in the Group's bank loans and other borrowings during the Reporting Period as compared with 2021.

Gearing Ratio

The gearing ratio is calculated as a percentage of the Group's total liabilities over the Group's total assets. As at 31 December 2022, the Group's gearing ratio was 39.7%, decreased by 2.8 percentage points from 42.5% as at 31 December 2021.

Income Tax Expenses

The income tax expenses of the Group for the 2022 financial year was RMB20 million, decreased by 47.4% from RMB38 million for the 2021 financial year, mainly due to the decrease in the Group's profit before tax during the Reporting Period.

Profit for the Reporting Period

For the 2022 financial year, the Group recorded a profit for the year of RMB156 million, representing a decrease of RMB192 million from RMB348 million for the 2021 financial year. The decrease was mainly due to (i) the decrease in profit or loss from changes in fair value of financial assets at fair value through profit or loss under the impact of global and domestic economies, resulting in an increase of other expenses and losses; (ii) the increase in the impartment losses of financial assets and contract assets; and (iii) the decrease in share of profits of associates of the Group.

Profit Attributable to Owners of the Company

Due to the above factors, for the 2022 financial year, profit attributable to owners of the Company was RMB152 million, representing a decrease of RMB196 million as compared with RMB348 million for the 2021 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 analysis, 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 2023.

Cash Flows

At of 31 December 2022, the Group's bank balances and cash amounted to RMB402 million, representing an increase of RMB59 million as compared with RMB343 million at of 31 December 2021, mainly because the Company stepped up its efforts to collect receivables.

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 2022 financial year, the total capital expenditure of the Group was RMB195 million, representing a decrease of 34.1% as compared with RMB296 million for the 2021 financial year.

Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities.

Pledge of the Group's Assets

As of 31 December 2022, the Group's long-term bank borrowing of RMB36 million was secured by mortgage of properties owned by the Group.

Jinggangshan Boqi, a subsidiary of the Group, 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, a subsidiary of the Group, 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, electrolytic aluminum and building material, and develop environmental protection businesses such as water treatment, hazardous and solid waste treatment/disposal and dual-carbon energy saving, 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 a stringent liquidity risk management system 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 long-term receivables, 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 2022, the aggregated amount of the Group's trade receivables of the top five customers was RMB361 million, representing 39.2% of the total trade receivables of the Group as of 31 December 2022. 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

As of 31 December 2022, 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. As of 31 December 2022, 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. OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

The year of 2023 is the first year to fully realize the spirit of the 20th National Congress of the Communist Party of China, and is also a crucial year for the implementation of the "14th Five-Year Plan", during which the transformation of the ecology and environmental protection industry continues to deepen. Under the background of high-quality development of environmental governance and the construction of a beautiful China, a "great era" of environmental protection has started with the theme of "pollution abatement and carbon reduction". The industrial scope is extending from end-to-end governance to the whole process of pollution abatement, carbon reduction and clean production, thus realizing coverage of the whole process involving pollution control, resource utilization, energy saving and carbon reduction. As such, the environmental protection industry will usher in a new round of development opportunities and will also create tremendous development opportunities for various sectors in the industry.

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 new energy^{+}" as our dual development path, with a focus on advantageous industries and subdivided sectors. We will remain focused on our strategy and gradually realize the new development pattern of the integration of the four business segments, "gas, water, solid and dual-carbon new energy^{+}", striving to develop into a first-class industry enterprise and comprehensive service provider for environmental governance and new energy^{+} in China.

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 Company'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. Besides, the Group will achieve rapid business growth through investment, mergers and acquisitions and technical cooperation, thus providing an additional growth driver to create new profit sources for the Group. Last but not least, the Group 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. Firstly, 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 Company 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

(I) Disposals of GNM Shares

The Group conducted a series of on-market transactions (the "**GNM Share Disposals**") from 30 December 2021 to 9 June 2022 to dispose of an aggregate of 11,944,000 Global New Material International Holdings Limited ("**GNM**") shares (representing approximately 1.0% of the total issued GNM shares as at 10 August 2022) at an aggregate consideration of approximately HK$70.4 million (excluding transaction costs), representing an average price of approximately HK$5.9 per GNM Share. The consideration of each of the GNM Share Disposals represented the prevailing market prices of the GNM Shares at the respective time of each of the GNM Share Disposals and, after deducting transaction costs, was received by the Company in cash on settlement. Upon settlement of the GNM Share Disposals, the Group will cease to hold any GNM Shares. As a result of the GNM Share Disposals, the Group is expected to recognise a gain of approximately HK$31.1 million. For further details, please refer to the Company's announcement dated 10 August 2022.

(II) Further supplemental agreements in relation to acquisition of Qinghai Boqi

Beijing Boqi (being the purchaser) entered into a share transfer agreement dated 30 November 2021 (the "**Share Transfer Agreement**") and a supplemental agreement dated 16 December 2021 to acquire an aggregate of 95% of the equity interests of Qinghai Boqi for a total consideration of RMB218.5 million. Qinghai Boqi, incorporated under the laws of the PRC, is principally engaged in solid hazardous waste management business, particularly, in the collection, stabilization and disposal of solid hazardous and dangerous wastes.

On 2 December 2022, Beijing Boqi entered into the further supplemental agreements to amend and supplement certain terms of the Share Transfer Agreement. Pursuant to the further supplemental agreement entered into by Beijing Boqi with, among others, Hainan Jinaier Investment Partnership (Limited Partnership) (海南吉乃爾投資合夥企業(有限合夥)) ("**Seller A**"), the total consideration for the acquisition of a total of 82% of the equity interests in Qinghai Boqi by Beijing Boqi and Hainan Boyuan Zhongying Enterprise Management Partnership (Limited Partnership) (海南博源眾盈企業管理合夥企業(有限合夥)), being a following co-investor (the "**Following Co-investor**"), from Seller A shall be adjusted to approximately RMB41.4 million, comprising RMB38.9 million and RMB2.5 million from Beijing Boqi and the Following Co-investor, respectively. Upon execution of the supplemental agreement, such amount of consideration shall be deemed to be fully settled. Pursuant to the further supplemental agreement with, among others, Liu Ang (劉昂) ("**Seller B**"), the total equity interest in Qinghai Boqi to be acquired by Beijing Boqi from Seller B shall be 15%. and the total consideration shall be adjusted to approximately RMB7.6 million. As at 2 December 2022, Beijing Boqi had already paid in accordance with the Share Transfer Agreement a total of approximately RMB14.5 million to Seller B, which exceeded the adjusted Seller B consideration by approximately RMB6.9 million. Such difference shall be settled by Seller B with his continuous provision of services to Qinghai Boqi, including business and project development.

Upon the completion, Qinghai Boqi will be held as to (i) 92% by Beijing Boqi; (ii) 5% by the Following Co-investor; and (iii) 3% by Seller B.

For further details, please refer to the Company's announcements dated 30 November 2021, 28 February 2022, 25 March 2022, 13 April 2022 and 2 December 2022.

(III) Disposal of Yuguang BOT Facilities

The Group entered into the termination agreement dated 30 December 2022 (the "**Termination Agreement**") with Shanxi Yuguang Power Generation Co., Ltd. (山西昱光發電有限責任公司) ("**Shanxi Yuguang**"), which is an independent third party of the Company, in relation to the disposal of the 2X300MW unit environmental protection facilities previously owned by the Group (the "**Yuguang BOT Facilities**") at consideration of approximately RMB50.7 million. It was determined by the parties after arm's length negotiation with reference to (i) the asset value of the Yuguang BOT Facilities of approximately RMB50.7 million (tax excluded) as at 30 November 2021 appraised by an independent valuer; and (ii) the book value of the Yuguang BOT Facilities of approximately RMB53.4 million (tax excluded) as at 30 November 2021 pursuant to the audited report issued by an independent auditor. As a result of the disposal of the Yuguang BOT Facilities, the Group is expected to recognise a loss of approximately RMB2.4 million. For further details, please refer to the Company's announcement dated 30 December 2022.

(IV) Disposals of CRGL Shares

The Group conducted a series of on-market transactions (the "**CRGL Share Disposals**") from 27 April 2022 to 21 February 2023 to dispose of an aggregate of 19,619,000 China Risun Group Limited ("**CRGL**") shares ("**CRGL Shares**") (representing approximately 0.44% of the total issued CRGL Shares as at 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 Share. The consideration of each of the CRGL Share Disposals represented the prevailing market prices of the CRGL Shares at the respective time of each of the CRGL Share Disposals and, after deducting transaction costs, was received by the Company in cash on settlement. Upon settlement of the CRGL Share Disposals, the Group will cease to hold any CRGL Shares. As a result of the CRGL Share Disposals, the Group is expected to recognise a gain of approximately HK$19.69 million. For further details, please refer to the Company's announcement dated 23 February 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 2022, the Group had 1,459 employees in total (as at 31 December 2021: 1,857 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 decrease in the number of employees compared to the last year was due to the Group's continuous increase in investment in its information technology construction, which improved the per capita efficiency of its projects and optimized part of the personnel structure in line with the needs of business transformation.

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 2021 and 2022, 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 2022. No forfeited contributions may be used if there is forfeited contributions.

MAJOR SUBSEQUENT EVENTS

Save as disclosed in this announcement, as at the approval date of the consolidated financial statements, the Group had no significant events after the Reporting Period which need to be disclosed.

FINAL DIVIDENDS

Taking into consideration various factors such as the new business development needs of the Group and its future capital expenditure plans, the Board recommend the payment of HK$3.00 cents per ordinary share as final dividend for the year ended 31 December 2022 (2021: HK$7.40 cents). No interim dividend was declared for the 2022 financial year. Subject to the Company's shareholder's approval at the AGM (as defined below), the proposed final dividend will be paid to the shareholders of the Company on 12 July 2023.

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

During the Reporting Period, the Company purchased 56,000 Shares, in aggregate, on the Stock Exchange at a total consideration of HK$73,920, which were cancelled thereafter.

Details of the purchases are summarized as follows:

Date of buy-back	**Number of Shares**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration**
		HK$	HK$	HK$
31 March 2022 *(Note)*	56,000	1.32	1.32	73,920

Note: Such 56,000 Shares were cancelled on 19 May 2022.

Save for the above, 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 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 14 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 our Group's growth and business expansion. Since Mr. Zeng Zhijun is one of the key persons of for our Group's management, our Board considers that vesting the roles of the chairman and the chief executive officer in the same person, Mr. Zeng Zhijun, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management of our Group and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Zeng Zhijun. Our Board currently comprises two executive Directors (including Mr. Zeng Zhijun), three non-executive Directors and three 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 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 10 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. Liu Genyu and Mr. Zheng Tony Tuo. 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 2022 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 2022 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 2022 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 to be held on Wednesday, 31 May 2023. 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 Thursday, 25 May 2023 to Wednesday, 31 May 2023, 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 Wednesday, 24 May 2023.

In order to determine the entitlement to the proposed final dividend for the year ended 31 December 2022, the transfer books and register of members of the Company will be closed from Monday, 19 June 2023 to Wednesday, 21 June 2023, 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, 16 June 2023.

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 2022 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, 24 March 2023

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