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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Capital Environment Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		Unaudited	Unaudited Restated
REVENUE	*4*	**1,649,299**	1,294,916
Cost of sales		**(1,146,241)**	(901,989)
Gross profit		**503,058**	392,927
Other income and gains	*4*	**8,783**	11,388
Administrative expenses		**(265,543)**	(228,485)
Other expenses		**(8,533)**	(7,572)
Finance costs	*6*	**(93,075)**	(86,759)
Share of profits of joint ventures		**20,831**	24,945
Share of profits of associates		**1,579**	1,700
PROFIT BEFORE TAX	*5*	**167,100**	108,144
Income tax	*7*	**(29,785)**	(30,822)
PROFIT FOR THE PERIOD		**137,315**	77,322

	Notes	For the six months ended 30 June **2017** *RMB'000* **Unaudited**	2016 *RMB'000* Unaudited Restated
Attributable to:			
Owners of the parent		**75,868**	28,358
Non-controlling interests		**61,447**	48,964
		137,315	77,322
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**RMB0.53 cent**	RMB0.20 cent
Diluted	*8*	**RMB0.53 cent**	RMB0.20 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited Restated
PROFIT FOR THE PERIOD	**137,315**	77,322
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**10,183**	(27,049)
Reclassification adjustment for cumulative loss upon disposal	**–**	(117)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(3,337)**	(130)
Exchange differences related to foreign operations	**29,109**	114,122
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**35,955**	86,826
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**173,270**	164,148
Attributable to:		
Owners of the parent	**99,195**	59,328
Non-controlling interests	**74,075**	104,820
	173,270	164,148

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017** *RMB'000* **Unaudited**	31 December 2016 *RMB'000* Audited Restated
NON-CURRENT ASSETS			
Property, plant and equipment		**1,681,332**	1,686,605
Prepaid land lease payments		**73,459**	74,563
Goodwill		**2,217,910**	2,179,475
Other intangible assets		**1,736,280**	1,614,959
Investments in joint ventures		**487,459**	472,958
Investments in associates		**86,856**	85,277
Available-for-sale investments		**90,328**	80,131
Deferred tax assets		**2,099**	11,550
Concession financial assets	*10*	**1,731,544**	1,492,503
Prepayments, deposits and other receivables		**96,764**	106,054
Amounts due from associates		**6,200**	8,600
Time deposits		**10,000**	10,000
Total non-current assets		**8,220,231**	7,822,675
CURRENT ASSETS			
Inventories	*11*	**26,533**	29,432
Concession financial assets	*10*	**109,216**	63,507
Assets classified as held for sale		**13,010**	10,985
Trade receivables	*12*	**737,419**	644,401
Prepayments, deposits and other receivables		**205,938**	133,421
Prepaid land lease payments		**1,884**	1,882
Amounts due from associates		**42,492**	39,141
Tax recoverable		**18,637**	2,523
Pledged deposits		**4,000**	9,000
Time deposits		**–**	5,000
Cash and cash equivalents		**498,431**	755,954
Total current assets		**1,657,560**	1,695,246

	Notes	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited Restated
CURRENT LIABILITIES			
Trade payables	*13*	**232,919**	236,827
Other payables and accruals	*14*	**427,670**	452,778
Deferred income		**1,400**	1,400
Derivative financial instruments		**4,806**	137
Interest-bearing bank and other borrowings	*15*	**3,587,724**	458,322
Amounts due to the immediate shareholders		**53,324**	149,776
Amount due to a related party		**1,198**	–
Tax payable		**37,340**	44,278
Provisions		**–**	800
Total current liabilities		**4,346,381**	1,344,318
NET CURRENT (LIABILITIES)/ASSETS		**(2,688,821)**	350,928
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,531,410**	8,173,603

	Notes	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited Restated
NON-CURRENT LIABILITIES			
Deferred income		**44,470**	40,870
Interest-bearing bank and other borrowings	*15*	**432,580**	3,257,333
Derivative financial instruments		**99**	200
Deferred tax liabilities		**452,044**	442,101
Provisions		**139,292**	141,114
Total non-current liabilities		**1,068,485**	3,881,618
Net assets		**4,462,925**	4,291,985
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**1,188,219**	1,188,219
Reserves		**2,022,393**	1,913,658
		3,210,612	3,101,877
Non-controlling interests		**1,252,313**	1,190,108
Total equity		**4,462,925**	4,291,985

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Group is waste treatment and waste-to-energy business.

The Group's principal operations and geographic markets are in New Zealand and Mainland China.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

Basis of preparation

The unaudited interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* and the applicable disclosure requirements of Appendix 16 to the Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

As at 30 June 2017, the Group's current liabilities exceeded its current assets by approximately RMB2,689,000,000. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the immediate shareholders, BCG Chinastar International Investment Limited ("BCG Chinastar") and Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), wholly-owned subsidiaries of the Group's ultimate controlling shareholder, Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), have agreed to provide adequate financial support. Accordingly, the interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared on the basis of going concern.

The change in presentation currency of the Group's consolidated financial statements

The presentation currency of the Group before 2017 was Hong Kong Dollars ("HK$"). The directors of the Company decided to change the presentation currency of the Group's consolidated financial statements from HK$ to RMB in order to enable the shareholders of the Company to have a more accurate picture of the Group's financial performance. The change of presentation currency has taken effect from 1 January 2017.

The change in presentation currency of the Group was applied retrospectively in accordance with HKAS 8 *Accounting Policies, Change in Accounting Estimates, and Errors.* The comparative figures for the six months ended 30 June 2016 have been restated accordingly.

Restatement of the interim condensed consolidated financial statements for the six months ended 30 June 2016 due to a business combination under common control

In 2016, the Group acquired 51% interests in BCG NZ Investment Holding Limited ("BCG NZ") (the "Acquisition") from BCG Chinastar and Beijing Capital (HK), at a consideration of HK$1,816,630,000 (approximately RMB1,557,342,000) to be settled by the allotment and issue of 4,541,574,877 new shares of HK$0.10 each at an issue price of HK$0.40 per share to BCG Chinastar and Beijing Capital (HK). BCG NZ and its subsidiaries are engaged in waste treatment and waste-to-energy business in New Zealand. The Acquisition was completed on 2 September 2016. At the date of completion, the fair value of the shares issued by the Company, which was determined based on the quoted market price on 2 September 2016 of HK$0.32 per share, amounted to HK$1,453,304,000 (approximately RMB1,250,814,000).

Since BCG NZ and the Group are under common control by Beijing Capital Group before and after the Acquisition, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 *Merger Accounting for Common Control Combinations* issued by the Hong Kong Institute of Certified Public Accountants to the Acquisition as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and thereby the Group and BCG NZ first came under common control of Beijing Capital Group.

Effects of the restatement for the change in presentation currency and the business combination under common control

The consolidated statement of financial position of the Group as at 31 December 2016 was restated to include the effects of the change in presentation currency and the business combination under common control in the annual report of 2016.

The effects of the change in presentation currency and the business combination under common control on the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2016 are as follows:

	Six months ended 30 June 2016 as previously reported *HK$'000*	Six months ended 30 June 2016 as restated for the change in presentation currency *RMB'000*	Adjustment for the business combination under common control *RMB'000*	Six months ended 30 June 2016 as restated *RMB'000*
REVENUE	361,499	304,205	990,711	1,294,916
Cost of sales	(282,461)	(237,694)	(664,295)	(901,989)
Gross profit	79,038	66,511	326,416	392,927
Other income and gains	9,258	7,791	3,597	11,388
Administrative expenses	(76,485)	(64,363)	(164,122)	(228,485)
Other expenses	(6,652)	(5,598)	(1,974)	(7,572)
Finance costs	(25,516)	(21,472)	(65,287)	(86,759)
Share of profits of joint ventures	–	–	24,945	24,945
Share of profits of associates	2,020	1,700	–	1,700
PROFIT/(LOSS) BEFORE TAX	(18,337)	(15,431)	123,575	108,144
Income tax	(6,772)	(5,699)	(25,123)	(30,822)
PROFIT/(LOSS) FOR THE PERIOD	(25,109)	(21,130)	98,452	77,322
Attributable to:				
Owners of the parent	(25,967)	(21,852)	50,210	28,358
Non-controlling interests	858	722	48,242	48,964
	(25,109)	(21,130)	98,452	77,322

The effects of the change in presentation currency and the business combination under common control on the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2016 are as follows:

	Six months ended 30 June 2016 as previously reported *HK$'000*	Six months ended 30 June 2016 as restated for the change in presentation currency *RMB'000*	Adjustment for the business combination under common control *RMB'000*	Six months ended 30 June 2016 as restated *RMB'000*
PROFIT/(LOSS) FOR THE PERIOD	(25,109)	(21,130)	98,452	77,322
OTHER COMPREHENSIVE INCOME/ (LOSS)				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Available-for-sale investments:				
Changes in fair value	(33,355)	(27,049)	–	(27,049)
Reclassification adjustment for cumulative loss upon disposal	(139)	(117)	–	(117)
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the period	–	–	(130)	(130)
Exchange differences related to foreign operations	(50,584)	–	114,122	114,122
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD, NET OF TAX	(84,078)	(27,166)	113,992	86,826
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD	(109,187)	(48,296)	212,444	164,148
Attributable to:				
Owners of the parent	(106,320)	(49,018)	108,346	59,328
Non-controlling interests	(2,867)	722	104,098	104,820
	(109,187)	(48,296)	212,444	164,148

Determination of the expected manner of recovery of indefinite life intangible assets when measuring deferred tax

The IFRS Interpretations Committee (IFRIC) issued an agenda decision which observed that the reason for not amortising an indefinite life intangible asset is not because there is no consumption of the future economic benefits embodied in the asset. Therefore, the determination of tax consequences of indefinite life intangible assets shall reflect the expected manner of recovery of the carrying amount of the assets either through use or through sale. Based on the IFRIC agenda decision, the Group has reassessed and determined that the carrying amount of the indefinite life intangible assets is to be recovered through use. The change in accounting policy has been applied retrospectively. Consequently, the goodwill and deferred tax liability balances of the Group as at 31 December 2016 was restated by an increase of RMB252,606,000.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ending 31 December 2017.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore,the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments,the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle: 2014-2016

Amendments to Hong Kong Financial Reporting Standard ("HKFRS") 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

The amendments clarify that the disclosure requirements in HKFRS 12, other than those in paragraphs B10 – B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale that is in the scope of the amendments.

3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit before tax from operations except that interest income, finance costs, dividend income, fair value gains/losses from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

The Group had only one reportable segment, being the waste treatment and waste-to-energy business in the People's Republic of China (the "PRC") for the six months ended 30 June 2016. Following the Acquisition as detailed in Note 2, an additional segment has been identified and presented in these interim condensed consolidated financial statements, comparative figures have been restated accordingly.

The Group's reportable segments are (a) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in New Zealand.

Six months ended 30 June 2017

	Waste treatment and waste-to-energy business in the PRC	Waste treatment and waste-to-energy business in New Zealand	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Revenue from external customers	**494,139**	**1,155,160**	**1,649,299**
Revenue from operations			**1,649,299**
Segment results	**18,310**	**119,005**	**137,315**
Other segment information:			
Share of profits of joint ventures	**–**	**20,831**	**20,831**
Share of profits of associates	**1,579**	**–**	**1,579**
Impairment losses recognised in the statement of profit or loss	**2,417**	**2,252**	**4,669**
Depreciation and amortisation	**9,774**	**126,015**	**135,789**
Capital expenditure *(Note)*	**19,115**	**152,234**	**171,349**
As at 30 June 2017			
Segment assets	**3,747,207**	**6,130,584**	**9,877,791**
Segment liabilities	**1,409,143**	**4,005,723**	**5,414,866**

Six months ended 30 June 2016 (Restated)

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	304,205	990,711	1,294,916
Revenue from operations			1,294,916
Segment results	(21,130)	98,452	77,322
Other segment information:			
Share of profits of joint ventures	–	24,945	24,945
Share of profits of associates	1,700	–	1,700
Impairment losses recognised in the statement of profit or loss	5,368	1,245	6,613
Depreciation and amortisation	9,032	112,897	121,929
Capital expenditure *(Note)*	21,008	118,984	139,992
As at 31 December 2016			
Segment assets	3,535,850	5,982,071	9,517,921
Segment liabilities	1,223,947	4,001,989	5,225,936

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

Information about a major customer

No individual customer of the Group contributed 10% or more of the Group's revenue.

4. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		Restated
Revenue		
Construction services under service concession arrangements	**260,161**	99,208
Operation services under service concession arrangements	**49,722**	16,183
Effective interest income on concession financial assets	**45,751**	42,521
Electronic appliance dismantling services	**132,655**	143,935
Waste collection services	**733,521**	641,064
Waste landfill services	**219,866**	187,296
Recycling	**77,340**	56,638
Technical services	**120,511**	103,460
Others	**9,772**	4,611
	1,649,299	1,294,916
Other income and gains		
Bank interest income	**2,834**	7,964
Other interest income	**1,143**	1,057
Gain on disposal of items of property, plant and equipment	**315**	–
Government grants	**1,862**	–
Foreign exchange gains	**–**	918
Others	**2,629**	1,449
	8,783	11,388

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		Restated
Cost of services rendered for service concession arrangements	**256,196**	108,842
Cost of services provided	**890,045**	793,147
Depreciation	**109,437**	94,466
Amortisation		
– prepaid land lease payments	**1,102**	939
– intangible assets	**25,250**	26,524
Minimum lease payments under operating leases	**35,494**	30,399
Auditor's remuneration	**941**	605
Staff costs	**298,185**	241,172
Foreign exchange differences, net	**3,348**	(918)
Impairment of prepayments, deposits and other receivables	**2,358**	5,368
Impairment of trade receivables	**2,311**	1,245
(Gain)/loss on disposal of items of property, plant and equipment	**(315)**	721

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		Restated
Interest on bank and other loans	**91,262**	84,161
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	**1,813**	1,698
Others	**–**	900
	93,075	86,759

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Withholding Hong Kong profits tax is calculated at 10% (six months ended 30 June 2016: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries is 25% for both periods. Six of the Group's subsidiaries operating in the PRC are eligible for certain tax benefits. Five are exempted from PRC income taxes whereas another one is entitled to preferential tax of 7.5% for the period.

New Zealand profits tax has been provided at the rate of 28% (six months ended 30 June 2016: 28%) on the estimated assessable profits arising in New Zealand during the period.

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		Restated
Current income tax:		
– Hong Kong	**9,731**	17,261
– PRC	**2,452**	296
– New Zealand	**14,315**	13,669
Deferred	**3,287**	(404)
Total tax charge for the period	**29,785**	30,822

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share ("EPS") amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares used for the purpose of calculating basic and diluted earnings per share for the six months ended 30 June 2016 has been adjusted as if the 4,541,574,877 new shares issued for the purpose of satisfying part of the consideration for the Acquisition was issued as at 28 March 2014, on the basis that the interim condensed consolidated financial statements are prepared as if BCG NZ and its subsidiaries had been combined from the date when first came under the control of the common controlling party of the Company and BCG NZ and its subsidiaries (Note 2).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
		Restated
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**75,868**	28,358

	For the six months ended 30 June	
	2017	2016
		Restated
Shares		
Weighted average number of shares in issue during the period used in the basic and diluted earnings per share calculation	**14,294,733,167**	14,294,733,167

9. DIVIDENDS PROPOSED

No interim dividend was proposed by the Company for the six months ended 30 June 2017 and 2016.

10. CONCESSION FINANCIAL ASSETS

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plants in the PRC on a build-operate-transfer ("BOT") basis, plus the attributable profits on the services provided. Revenues and costs relating to the construction phase of the contracts are accounted for in accordance with HKAS 11 *Construction Contracts*. Revenues and costs relating to the operating phase of the contracts are accounted for in accordance with HKAS 18 *Revenue*.

Service concession arrangements with certain government authorities in the PRC ("Grantors") require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rate is ranged from 5.46% to 6.56% for the six months ended 30 June 2017.

During the operation phase of the respective service concession periods, the Group will receive guaranteed waste treatment fees from the Grantors. In addition, for some service concession arrangements, the Group has the right to charge on-grid electricity tariffs to users after commencement of operation phase of the waste-to-energy plants.

The Group recognised revenue from construction services of RMB260,161,000 (six months ended 30 June 2016: RMB99,208,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB49,722,000 (six months ended 30 June 2016: RMB16,183,000) for all the service concession arrangements of the Group.

The gross profits recognised from construction services were amounted to RMB29,525,000 (six months ended 30 June 2016: RMB5,219,000) and the gross profits recognised from operation services were amounted to RMB27,421,000 (six months ended 30 June 2016: RMB3,125,000) for all the service concession arrangements of the Group.

11. INVENTORIES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Raw materials	**14,247**	9,155
Finished goods	**12,286**	20,277
	26,533	29,432

12. TRADE RECEIVABLES

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
0 – 90 days	**346,462**	338,449
91 – 180 days	**53,855**	52,602
Over 180 days	**337,102**	253,350
	737,419	644,401

As at 30 June 2017, included in the Group's trade receivable balances are government dismantling tariffs provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately RMB403,270,000 (31 December 2016: RMB333,064,000). Included in the government dismantling tariffs are balances amounting to RMB333,064,000 (31 December 2016: RMB243,589,000) with ageing over 180 days. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are government authorities.

Included in the Group's trade receivable balances are amounts due from the Group's joint ventures of RMB8,147,000 (31 December 2016: RMB9,392,000) and amount due from the other operator of Waste Disposal Services of RMB672,000 (31 December 2016: RMB572,000), which are repayable on similar credit terms offered to the major customers of the Group.

13. TRADE PAYABLES

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

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
0 – 90 days	**203,078**	218,088
91 – 180 days	**8,586**	4,440
Over 180 days	**21,255**	14,299
	232,919	236,827

Included in trade payables are amounts of RMB3,042,000 (31 December 2016: RMB7,730,000) and RMB3,164,000 (31 December 2016: RMB2,388,000) due to the Group's joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered to their major customers.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
Receipt in advance	**142,500**	133,242
Accrued purchases	**154,994**	191,904
Interest payable	**12,625**	11,815
Amount due to vendors of		
北京藍潔利德環境科技有限公司		
(Beijing Lanjie Lide Environment Holding Limited*)	**1,500**	1,500
江西瑞金愛思環保電力有限公司		
(Jiangxi Ruijin Ai Si Environmental Electric Limited*)	**7,000**	–
安徽首創環境科技有限公司		
(Anhui Capital Environmental Technology Company Limited*)	**1,000**	1,000
Accrued professional fee	**4,848**	4,011
Other tax payable	**23,354**	24,856
Accrued payroll and severance payment	**65,988**	65,966
Others	**13,861**	18,484
	427,670	452,778

* *For identification purpose only*

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2017 *RMB'000* **Unaudited**	31 December 2016 *RMB'000* Audited
Secured bank borrowings *(Notes)*	**549,660**	578,780
Unsecured bank and other borrowings	**3,470,644**	3,136,875
	4,020,304	3,715,655
Carrying amount repayable:		
Within one year	**3,587,724**	458,322
More than one year, but not exceeding two years	**87,420**	2,868,253
More than two years, but not exceeding three years	**94,230**	88,420
More than three years, but not exceeding four years	**95,930**	100,230
More than four years, but not exceeding five years	**55,000**	94,430
Beyond five years	**100,000**	106,000
	4,020,304	3,715,655
Less : Amounts due within one year shown under current liabilities	**(3,587,724)**	(458,322)
Amounts shown under non-current liabilities	**432,580**	3,257,333

Notes:

(1) Bank loans of RMB47,000,000 as at 30 June 2017 (31 December 2016: RMB47,000,000) were secured by the prepaid lease payments and buildings with a carrying amount of RMB54,857,000 (31 December 2016: RMB56,383,000).

(2) Bank loan of RMB80,000,000 as at 30 June 2017 (31 December 2016: RMB80,000,000) was secured by the service concession arrangement in 揚洲首創環保能源有限公司 (Yangzhou Capital Environmental Energy Investment Limited*).

(3) Bank loan of RMB89,500,000 as at 30 June 2017 (31 December 2016: RMB100,000,000) was secured by the service concession arrangement and the Group's equity interest in 惠洲廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*).

* *For identification purpose only*

(4) Bank loans of RMB300,000,000 as at 30 June 2017 (31 December 2016: RMB315,000,000) were guaranteed by the corporate guarantee of the Group.

(5) Bank loan of RMB33,160,000 as at 30 June 2017 (31 December 2016: RMB36,780,000) was guaranteed by the corporate guarantee of a subsidiary of Beijing Capital Group.

Included in other borrowings is a loan of NZ$570,000,000 from BCG Chinastar which was unsecured, interest bearing at 5% per annum, and had a maturity date of 1 June 2018.

As at 30 June 2017, the Group had undrawn borrowing facilities amounting to RMB1,325,000,000 (31 December 2016: RMB1,424,003,000).

As at 30 June 2017, the Group's bank and other borrowings of RMB3,337,644,000 were charged at fixed interest rates while RMB682,660,000 were charged at floating interest rates based on the benchmark interest rates announced by the People's Bank of China. The carrying amounts of the Group's current borrowings approximate to their fair values.

16. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the first half of 2017, the recovery momentum of the global economy remained stable with improvement, the economic indices (such as economic growth, employment rate, consumer index and core rates of inflation) of the USA, a developed country, have reached the expected levels. The monetary easing policies of Japan have resulted in some achievements and emerging markets were also well-prepared for the market risk arising from the rate hike by the Federal Reserve. Although the global economy has been recovering, the Eurozone became turbulent because of Brexit, thus the risk of uncertain global economy is still there. Being an important motivator for the global economy, the PRC has recorded a year-on-year increase of 6.9% in terms of gross domestic product, symbolizing that positive momentum in stability became unquestionable. While the economy is experiencing stable development, we actively cultivate new source of economic growth and vigorously explore the green economic development to be a new momentum for the PRC's future economic reforms and continuous development of environment protection.

2017 is the second year of the "13th Five-Year Plan" of China, in which the Central Government has begun to comprehensively implement the Proposal on Formulating the 13th Five-year Plan on National Economic and Social Development (the "Plan"). The Plan raises five development concepts of "Innovation, Coordination, Environmental Protection, Open-mindedness and Sharing", demonstrating the determination of the Central Government to tackle environmental protection issues. Moreover, green environmental protection is urged to be in equal importance of strategic levels such as issues of society and livelihood, which is beneficial to "stabilize growth, adjust structure, benefit the people", while at the same time it matches well with the direction of "deepening supply-side reform". Therefore, we believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials, achieving a win-win development in economy, environment and society ultimately.

In view of the broad prospects and great potential in the green environmental protection industry, driven by brands, strategy, talents and technology, the Group will continue to leverage its comprehensive strength and explore new opportunities for business development by diversified means such as BOT, TOT, BOO, commissioning operation as well as merger and acquisition. Leveraging on the strategic plans of Beijing Capital Group Co., Ltd., our controlling shareholder, we seize the key links of the solid waste's industrial chain and implement the motto of "quality development", so as to create greater value for shareholders and make greater contributions to building a beautiful home. As such, the management is confident of the future development of the Group.

During the first half of 2017, all our colleagues in the Group are unified and make every effort, they have been working hard to stand out from the keen market competition, thus we have achieved outstanding results in each business, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

In the first half of 2017, the Group successfully obtained 5 waste treatment projects in China, the total investment amounted to approximately RMB1,070 million, the newly-designed annual solid waste treatment capacity of 812,000 tons and the daily treatment capacity exceeds 2,200 tons. The new projects include the hazardous waste integrated treatment center project in Linzi District, Shandong Province, the solid waste incineration power generation project in Suixian, Henan Province, the integrated town and rural solid waste collection and transfer project in Suixian, Henan Province, the urban and rural waste collection and transfer project in Duyun City, Guizhou Province and the urban and rural integrated and comprehensive wastes treatment project in Shicheng County, Jiangxi Province. The above-mentioned projects enable the Group to continuously remain the growth of incineration projects under the fundamental businesses, further expand the business under strategic cultivation of the Group (i.e. hazardous waste) and the integrated project coverage, so as to generate synergistic effect of businesses in New Zealand, continue to solidify and improve the leading position in the industry and fulfill the development strategy of "one-stop" solid waste treatment comprehensive services for the government and residents.

During the period under review, domestic environmental protection and alternative energy projects processed household waste of 654,500 tons in aggregate and generated total on-grid electricity of 110 million kWh, an increase of 11.2% and 20.5% respectively compared with the corresponding period of last year. Environmental protection projects in New Zealand processed household waste of 1.3 million tons in aggregate, an increase of 5.8% respectively compared with the corresponding period of last year.

As at 30 June 2017, the Group secured a total of 37 projects (including 13 waste-to-energy projects, 4 waste landfill projects, 5 Anaerobic Digestion Technology treatment projects, 6 waste collection, storage and transportation projects, 4 hazardous waste treatment projects, 2 dismantling waste electronic appliances projects and 3 biomass resources electricity generation projects) in China with a total investment of approximately RMB10,890 million, and the investment amount amounted to RMB3,810 million as at 30 June 2017. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 7.80 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

As at 30 June 2017, the Group held 51% shares of BCG NZ Investment Holding Limited ("BCG NZ"). BCG NZ Group has more than 100 years of history in continuing operation, and is the largest waste management service supplier in New Zealand with over 30% market share, and has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers in New Zealand.

In the past five years, the Group has reserved a number of projects in China and the said projects have gradually entered the construction and operation period. As at 30 June 2017, there were 23 domestic projects which have entered the construction and operation period, of which the household waste incineration power plant project in Quanling, Nanchang, a representative project demonstrating a high level of competence of the Group, has been approved as an environmental demonstration base by the National Development and Reform Commission. By integrating the rapid growth of domestic projects and the sound foundation by businesses in New Zealand, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

Looking ahead, given there are huge demand for green environmental protection industry during the economic and social development in China and there are also stronger supporting policies from the PRC government to the industry, with the continued comprehensive support from the controlling shareholder (i.e. Beijing Capital Group Co., Ltd.), the Group can realize the full potential of all the opportunities for future development and focus on the key link of the industrial chain, so as to build its core competitive strengths, promote quality and efficiency and provide quality comprehensive environmental protection services by enhancing the driving force towards the industrial chain. The management of the Group believes that by virtue of the industry resources, the market position and competitive advantages of the Group, the Group will constantly seek projects with growth potential and good opportunities for acquisitions and mergers through integrating and improving the existing business portfolio, constantly summing up experience and keeping track of market trends, thus to make continuous contribution to the protection of global environment, the construction of beautiful China and the achievement of green development.

In order to meet the financial needs of the Group's future business development, the Group will conduct adequate research on the change trends in the global financing markets and capital markets, as well as make carefully assessment on the strengths and weaknesses of various financing instruments, so as to consider several sources of funding to finance the future investments by taking account of its short-term, medium-term and long-term funding needs.

FINANCIAL REVIEW

Overview

Upon the completion of acquisition of 51% shares of BCG NZ and its subsidiaries by the Group, the condensed consolidated statement of financial position of the Group as at 31 December 2016 have, in accordance with the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations", included the assets and liabilities of BCG NZ and its subsidiaries. The condensed consolidated statement of profit or loss and statement of comprehensive income for the six months ended 30 June 2016 have been restated, to include the results of BCG NZ and its subsidiaries, as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and thereby the Group and BCG NZ first came under common control by Beijing Capital Group.

During the period under review, the net profit attributable to the owners of the Company amounted to approximately RMB75.9 million, increasing 168% at a growth rate compared with the restated comparative figure of the corresponding period of last year amounted to approximately RMB28.4 million. The substantial increase of profit was mainly came from the Group has comprehensively promoted budget management and improved the overall efficiency, while the Group has accelerated the progress of projects and improved the efficiency of projects construction, which boosted a substantial increase in the revenue from construction services.

Waste Treatment and Waste-to-energy Business

During the period under review, the Group's revenue from the waste treatment and waste-to-energy business reached approximately RMB1,649.3 million, representing an increase of approximately 27.4% as compared to that of the corresponding period last year.

During the period under review, the gross profit margin of the Group was approximately 30.5%, similar as compared to that of the corresponding period last year.

Administrative Expenses

During the period under review, the administrative expenses of the Group increased by approximately 16.2% to approximately RMB265.5 million.

The rise of administrative expenses was mainly due to the increase of number of offices and project staff in order to cater the needs of business development and project growth.

Finance Costs

The finance costs increased by approximately 7.3% to approximately RMB93.1 million as compared to that of the corresponding period last year. The increment was mainly attributable to the increase of the interest on borrowings of overseas subsidiaries.

Financial Position

As at 30 June 2017, the Group had total assets amounting to approximately RMB9,877.8 million and net assets attributable to the owners of the Company were approximately RMB3,210.6 million. The gearing ratio (which is calculated on the basis of total liabilities over total assets) was 55%, which was approximate to that of 31 December 2016. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.26 as at 31 December 2016 to approximately 0.38 as at 30 June 2017. The decrease was mainly attributable to the loan of NZ$570 million from our shareholder, BCG Chinastar (the "Loan"), will be matured on 1 June 2018, therefore, such Loan has been reclassified from non-current liabilities as at the end of 2016 to current liabilities as at 30 June 2017. Excluding the effect of the reclassification of such Loan, the current ratio of the Group as at 30 June 2017 was still higher than 1.

In order to maximize the shareholders' return and the market capitalization, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilized.

Financial Resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 30 June 2017, the Group had cash and bank balances, pledged and time deposits of approximately RMB512.4 million, representing a decrease of approximately RMB267.6 million as compared to approximately RMB780.0 million at the end of 2016. The decrease was mainly due to the payment in respect of the infrastructure work under service concession arrangements, purchases of property, plant and equipment, investments in new projects and expenditure on daily operation during the period under review. Currently, most of the Group's cash is denominated in RMB, HK$ and New Zealand dollars.

Borrowings

As at 30 June 2017, the Group had outstanding borrowings of approximately RMB4,020.3 million, representing an increase of RMB 304.6 million as compared to approximately RMB3,715.7 million at the end of 2016. The borrowings comprised secured loans of approximately RMB549.7 million and unsecured loans of approximately RMB3,470.6 million. The borrowings are denominated in RMB and New Zealand dollars. Approximately 83% and 17% of the borrowings are at fixed rate and variable rate respectively.

Foreign Exchange Exposure

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

Charges on Assets

As at 30 June 2017, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangements, equity interest in a subsidiary of the Group and the prepaid lease payments and buildings.

Commitment Arrangements

As at 30 June 2017, the Group had commitment of approximately RMB674.0 million and RMB117.0 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

The Group had granted rights to the property owners surrounding the Redvale landfill in New Zealand to sell the properties to the Group at the market price plus a margin. The total commitment amounts to RMB76.5 million as at 30 June 2017.

Contingent Liabilities

As at 30 June 2017, the Group provided guarantees of approximately RMB7.8 million in favour of two banks in respect of banking facilities granted to an associate. The Group provided guarantees of approximately NZ$49.7 million to the government institutions of New Zealand in respect of the continuous operation or the fulfillment of operation standards of the landfill sites.

Employee Information

As at 30 June 2017, the Group had about 2,919 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices. The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the period under review.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely, Dr. Chan Yee Wah, Eva, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah, Eva has been appointed as the chairman of the audit committee. The audit committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2017 with the management.

In addition, the Group's external auditors performed an independent review of the interim financial information for the six months ended 30 June 2017 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on both the websites of the Company (www.cehl.com.hk) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
Capital Environment Holdings Limited
Wu Lishun
Chairman

Hong Kong, 28 August 2017

As at the date of this announcement, the Board comprises five executive directors, namely Mr. Wu Lishun, Mr. Cao Guoxian, Mr. Liu Yongzheng, Ms. Zhang Meng and Mr. Cheng Jialin; and three independent non-executive directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.