CAPITAL ENVIRONMENT HOLDINGS LIMITED
首 創 環 境 控 股 有 限 公 司

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 03989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2018.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		For the six months ended 30 June	
	Notes	**2018** *RMB'000* **Unaudited**	2017 *RMB'000* Unaudited
REVENUE	*4*	**2,233,769**	1,649,299
Cost of sales		**(1,690,728)**	(1,146,241)
Gross profit		**543,041**	503,058
Other income and gains	*4*	**47,221**	8,783
Administrative expenses		**(295,816)**	(265,543)
Other expenses		**(4,353)**	(8,533)
Finance costs	*6*	**(121,749)**	(93,075)
Share of profits of joint ventures		**20,637**	20,831
Share of profits of associates		**5,651**	1,579
PROFIT BEFORE TAX	*5*	**194,632**	167,100
Income tax	*7*	**(50,385)**	(29,785)
PROFIT FOR THE PERIOD		**144,247**	137,315

	Notes	For the six months ended 30 June **2018** ***RMB'000*** **Unaudited**	2017 *RMB'000* Unaudited
Attributable to:			
Owners of the parent		**86,036**	75,868
Non-controlling interests		**58,211**	61,447
		144,247	137,315
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**RMB0.60 cent**	RMB0.53 cent
Diluted	*8*	**RMB0.60 cent**	RMB0.53 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
PROFIT FOR THE PERIOD	**144,247**	137,315
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	**(11,136)**	—
Available-for-sale investments:		
Changes in fair value	**—**	10,183
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**—**	(3,337)
Exchange differences related to foreign operations	**(64,047)**	29,109
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(75,183)**	35,955
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**69,064**	173,270
Attributable to:		
Owners of the parent	**42,237**	99,195
Non-controlling interests	**26,827**	74,075
	69,064	173,270

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**30 June 2018** *RMB'000* **Unaudited**	31 December 2017 *RMB'000* Audited
NON-CURRENT ASSETS			
Property, plant and equipment		**1,761,591**	1,790,082
Prepaid land lease payments		**52,467**	49,627
Goodwill	*10*	**1,992,011**	2,044,408
Other intangible assets	*11*	**1,719,088**	1,906,175
Investments in joint ventures		**445,296**	462,344
Investments in associates		**97,183**	91,532
Financial assets at fair value through other comprehensive income		**88,812**	—
Available-for-sale investments		**—**	95,041
Deferred tax assets		**11,269**	10,568
Concession financial assets	*12*	**1,510,657**	1,864,989
Contract assets	*12*	**1,666,262**	—
Prepayments, deposits and other receivables		**111,564**	132,028
Pledged bank deposits		**2,000**	—
Time deposits		**2,500**	12,500
Total non-current assets		**9,460,700**	8,459,294
CURRENT ASSETS			
Inventories	*13*	**39,710**	39,911
Concession financial assets	*12*	**244,157**	178,988
Contract assets	*12*	**26,409**	—
Assets classified as held for sale		**6,124**	9,541
Trade receivables	*14*	**753,482**	777,632
Prepayments, deposits and other receivables		**434,862**	265,238
Prepaid land lease payments		**1,469**	948
Derivative financial instruments		**109**	—
Amount due from a shareholder		**144**	—
Amounts due from associates		**48,536**	47,741
Tax recoverable		**20,818**	6,354
Pledged deposits		**2,000**	4,000
Time deposits		**10,000**	—
Cash and cash equivalents		**1,290,421**	892,790
Total current assets		**2,878,241**	2,223,143

	Notes	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
CURRENT LIABILITIES			
Trade payables	*15*	**684,541**	405,155
Other payables and accruals	*16*	**390,670**	389,493
Contract liabilities		**89,517**	—
Deferred income		**8,394**	394
Derivative financial instruments		**385**	1,727
Interest-bearing bank and other borrowings	*17*	**3,285,317**	3,145,327
Amount due to a related party		**1,665**	1,376
Tax payable		**57,805**	47,983
Total current liabilities		**4,518,294**	3,991,455
NET CURRENT LIABILITIES		**(1,640,053)**	(1,768,312)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,820,647**	6,690,982
NON-CURRENT LIABILITIES			
Deferred income		**35,134**	34,153
Interest-bearing bank and other borrowings	*17*	**2,536,032**	1,553,374
Derivative financial instruments		**329**	—
Deferred tax liabilities		**458,477**	434,266
Provisions		**197,889**	204,114
Total non-current liabilities		**3,227,861**	2,225,907
Net assets		**4,592,786**	4,465,075
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**1,188,219**	1,188,219
Reserves		**2,071,695**	2,025,290
		3,259,914	3,213,509
Non-controlling interests		**1,332,872**	1,251,566
Total equity		**4,592,786**	4,465,075

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. CORPORATE AND GROUP INFORMATION

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

The principal activity of the Company and its subsidiaries (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 2018 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 do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017. 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 2018, the Group's current liabilities exceeded its current assets by approximately RMB1,640 million. 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 shareholder, BCG Chinastar International Investment Limited ("BCG Chinastar"), has agreed to provide adequate financial support. Accordingly, the interim condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared on the basis of going concern.

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 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 *Revenue From Contracts with Customers* and HKFRS 9 *Financial Instruments,* and adopted the transitional provisions in HKFRS 15 and HKFRS 9 to recognise the cumulative effect of the new standards. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principal activity of the Group is waste treatment and waste-to-energy business in the People's Republic of China ("PRC") and New Zealand.

(a) Service concession arrangements

The Group entered into service concession arrangements with government authorities or their designators ("Grantor") in respect of the waste management and waste-to-energy business in the PRC. The arrangements were accounted for in accordance with HK(IFRIC) Interpretation 12 *Service Concession Arrangements* ("HK(IFRIC)-Int12"). HK(IFRIC)-Int12 was not significantly amended upon issue of HKFRS 15.

The Group has made a detailed assessment of the impact of HKFRS 15 on the accounting practices for service concession arrangements under HK(IFRIC)-Int12, and concluded that (i) the Grantor is considered as the only customer of the service concession arrangements; (ii) the construction and operation obligations are identified as separate elements of the service concession arrangements, minor maintenance is not identified as a separate performance obligation; (iii) because of the timing of payments from the Grantor compared to the provision of construction services by the Group, the effect of financing is excluded from the transaction price prior to the allocation of transaction price to performance obligations; (iv) if stand-alone selling prices are not readily observable, they must be estimated, considering all information that is reasonably available to the entity. The Group chooses to estimate stand-alone selling prices using an expected cost plus margin approach; (v) revenue is recognised over time for construction and operating services. Minor maintenance is assumed not to be a separate performance obligation and therefore no revenue is recognised in respect of maintenance. Therefore, the adoption of HKFRS15 does not have any significant impact on the Group's current accounting treatment of service concession arrangements in the PRC.

(b) Rendering of waste treatment services in New Zealand

The Group's segment in New Zealand provided waste treatment services, including waste collection, waste landfill, recycling and technical services. The services were accounted for in accordance with HKAS 18 *Revenue*.

The Group has made a detailed assessment of the impact of HKFRS 15 on the accounting practices for waste treatment services, and concluded that the revenue shall be recognised upon delivery of services to the customers under HKFRS 15. Therefore, the adoption of HKFRS 15 does not have any significant impact on the Group's current accounting treatment of waste treatment services in New Zealand.

(c) Presentations and disclosures

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. HKFRS 15 amends HK(IFRIC)-Int12 to change the date of initial recognition of the financial asset and intangible asset. The amendment requires a contract asset to be recognised during the construction activity and requires the significant financing component in the arrangement to be accounted for in accordance with HKFRS 15 until construction is complete.

The adoption of HKFRS 15 has affected the presentation and disclosure of contract balances including contract assets and contract liabilities in the consolidated financial statements.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2018:

	RMB'000
NON-CURRENT ASSETS	
Other intangible assets	(361,846)
Concession financial assets	(908,447)
Contract assets	1,270,293
CURRENT ASSETS	
Concession financial assets	(35,286)
Contract assets	35,286
CURRENT LIABILITIES	
Other payables and accruals	(95,569)
Contract liabilities	95,569
Net assets	—

HKFRS 9 Financial Instruments

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has adopted HKFRS 9 on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional provision under HKFRS 9, comparative figures are not required to be restated. As a result, any adjustments to carrying amounts of financial assets or financial liabilities are recognised at the beginning of the current reporting period, with the difference recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period that includes the date of initial application.

The Group has performed a detailed assessment of the impact of the adoption of HKFRS 9, and concluded that except the classification and measurement of below listed securities and unlisted equity investment, HKFRS 9 does not have material impact on the Group's consolidated financial statements.

The Group held an unlisted equity investment, which was recorded in available-for-sale investments and measured at cost less impairment loss in and before 2017. According to HKFRS 9, unlisted equity investments are measured at fair value. The unlisted equity investment held by the Group is measured at fair value through other comprehensive income as the investment is intended to be held for the foreseeable future and the Group applies the option to present fair value changes in other comprehensive income. The listed securities which were measured at fair value through other comprehensive income are reclassified from available-for-sale investments to financial assets at fair value through other comprehensive income.

Impact on the consolidated statement of financial position (increase/(decrease)) as at 1 January 2018:

At 1 January 2018	**Available-for-sale investments** *RMB'000*	**Financial assets at fair value through other comprehensive income** *RMB'000*
Opening balance as originally presented	**95,041**	—
Reclassification of available-for-sale investments to financial assets at fair value through other comprehensive income	**(95,041)**	**95,041**
Cumulative changes in fair value	—	**4,907**
Opening balance — HKFRS 9	—	**99,948**

Impact on the consolidated statement of changes in equity (increase/(decrease)) as at 1 January 2018:

At 1 January 2018	**Available-for-sale investments revaluation reserve** *RMB'000*	**Fair value reserve of financial assets at fair value through other comprehensive income** *RMB'000*
Opening balance as originally presented	**(4,067)**	—
Reclassification of available-for-sale investments to financial assets at fair value through other comprehensive income	**4,067**	**(4,067)**
Cumulative changes in fair value	—	**4,907**
Opening balance — HKFRS 9	—	**840**

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Group's consolidated financial statements.

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The HKICPA issued amendments to HKFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The Group's accounting policy for cash-settled share based payments is consistent with the approach clarified in the amendments. In addition, the Group has no share-based payment transaction with net settlement features for withholding tax obligations and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

Amendments to HKFRS 4 Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments standard, HKFRS 9, before implementing HKFRS 17 *Insurance Contracts*, which replaces HKFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying HKFRS 9 and an overlay approach. These amendments are not relevant to the Group.

Amendments to HKAS 28 Investments in Associates and Joint Ventures — Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. These amendments do not have any impact on the Group's consolidated financial statements.

Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of HKFRS 1 were deleted because they have now served their intended purpose. These amendments do not have any impact on the Group's consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax from operations is measured consistently with the Group's profit before tax from operations.

The Group'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 2018	**Waste treatment and waste-to-energy business in the PRC** *RMB'000*	**Waste treatment and waste-to-energy business in New Zealand** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Revenue from external customers	**1,114,964**	**1,118,805**	**2,233,769**
Revenue from operations			**2,233,769**
Segment results	**55,936**	**88,311**	**144,247**
Other segment information:			
Share of profits of joint ventures	**—**	**20,637**	**20,637**
Share of profits of associates	**5,651**	**—**	**5,651**
Reversals of impairment losses recognised in the statement of profit or loss	**(5,019)**	**2,486**	**(2,533)**
Depreciation and amortisation	**13,665**	**130,483**	**144,148**
Capital expenditure *(Note)*	**78,510**	**79,062**	**157,572**
As at 30 June 2018			
Segment assets	**6,587,614**	**5,751,327**	**12,338,941**
Segment liabilities	**4,111,192**	**3,634,963**	**7,746,155**

Six months ended 30 June 2017	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	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

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	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Revenue		
Construction services under service concession arrangements	**835,022**	260,161
Operation services under service concession arrangements	**96,954**	49,722
Effective interest income on concession financial assets	**62,577**	45,751
Electronic appliance dismantling services	**97,888**	132,655
Waste collection services	**726,487**	733,521
Waste landfill services	**216,295**	219,866
Recycling	**55,149**	77,340
Technical services	**116,006**	120,511
Others	**27,391**	9,772
	2,233,769	1,649,299
Other income and gains		
Bank interest income	**1,499**	2,834
Other interest income	**15,656**	1,143
Gain on disposal of investment in an associate	**10,103**	—
Gain on disposal of items of property, plant and equipment	**246**	315
Government grants	**9,894**	1,862
Reversal of impairment of trade receivables	**4,661**	—
Reversal of impairment of prepayments, deposits and other receivables	**800**	—
Foreign exchange gains	**633**	—
Others	**3,729**	2,629
	47,221	8,783

5. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of services rendered for service concession arrangements	**841,987**	256,196
Cost of services provided	**848,741**	890,045
Depreciation	**116,341**	109,437
Amortisation		
— prepaid land lease payments	**697**	1,102
— intangible assets	**27,110**	25,250
Minimum lease payments under operating leases	**44,238**	35,494
Auditor's remuneration	**853**	941
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**280,739**	283,867
Pension scheme contributions	**14,912**	14,318
Foreign exchange differences, net	**17,737**	3,348
(Reversal of impairment)/impairment of prepayments, deposits and other receivables	**(800)**	2,358
(Reversal of impairment)/impairment of trade receivables	**(1,733)**	2,311
Gain on disposal of items of property, plant and equipment	**(246)**	(315)

6. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Interest on bank and other loans	**111,613**	91,262
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	**2,550**	1,813
Others	**7,586**	—
	121,749	93,075

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Withholding Hong Kong profits tax was calculated at 10% (six months ended 30 June 2017: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

Under the Law of the PRC Enterprise Income Tax and Implementation Regulation of the law, the tax rate of the PRC subsidiaries was 25% for both periods. Fourteen (six months ended 30 June 2017: six) of the Group's subsidiaries operating in the PRC were eligible for certain tax benefits. Eight (six months ended 30 June 2017: five) were exempted from PRC income taxes whereas another six (six months ended 30 June 2017: one) were entitled to preferential tax rates of 7.5%, 10% or 12.5% (six months ended 30 June 2017: 7.5%), for the period.

New Zealand profits tax has been provided at the rate of 28% (six months ended 30 June 2017: 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	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
— Hong Kong	**12,169**	9,731
— PRC	**8,291**	2,452
— New Zealand	**14,799**	14,315
Deferred	**15,126**	3,287
Total tax charge for the period	**50,385**	29,785

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 Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**86,036**	75,868

	For the six months ended 30 June 2018	2017
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 2018 and 2017.

10. GOODWILL

	30 June 2018 *RMB'000* **Unaudited**	31 December 2017 *RMB'000* Audited
At 1 January	**2,044,408**	2,166,182
Acquisition of subsidiaries *(note 18)*	**8,534**	—
Other decrease	**—**	(5,290)
Exchange realignment	**(60,931)**	(116,484)
Net carrying amount at the period/year end	**1,992,011**	2,044,408

11. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2018, additions in intangible assets arising from service concession arrangements of RMB208,409,000 represent:

1) RMB190,536,000 of increase due to the construction of a BOT project, Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司), which is engaged in the treatment of kitchen waste.

2) RMB6,370,000 of increase due to the construction of a BOT project, Duyun Capital Environment Company Limited (都勻市首創環保有限公司), which is engaged in waste management and waste-to-energy business.

3) RMB11,503,000 of increase due to the construction of a BOT project, Shicheng Capital Environment Limited (石城縣首創環保有限公司), which is engaged in waste collection and transportation business.

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements were collectively disclosed in note 12.

12. CONCESSION FINANCIAL ASSETS AND CONTRACT ASSETS

The Group provides construction and operation services to the Grantor under the service concession arrangements, the consideration received or receivable by the Group is recognised in accordance with HKFRS 15. The consideration is rights to a financial asset, or an intangible asset. The Group recognises a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the Grantor for the construction services; the Grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group recognises an intangible asset to the extent that it receives a right (a licence) to charge users of the public service. A right to charge users of the public service is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. Sometimes the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, the Group accounts separately for each component of the consideration. Both types of consideration are classified as a contract asset during the construction period in accordance with HKFRS 15.

The effective interest rates used in service concession arrangements ranged from 5.39% to 6.56% for the six months ended 30 June 2018.

Service concession arrangements with certain government authorities in the PRC require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of service ability on behalf of the relevant government authorities over the relevant service concession periods.

The Group recognised revenue from construction services of RMB835,022,000 (six months ended 30 June 2017: RMB260,161,000) and revenue from operation services of RMB96,954,000 (six months ended 30 June 2017: RMB49,722,000) for all the service concession arrangements of the Group (see note 4). The gross profits recognised from construction services were amounted to RMB77,757,000 (six months ended 30 June 2017: RMB29,525,000) and the gross profits recognised from operation services were amounted to RMB38,446,000 (six months ended 30 June 2017: RMB27,421,000) for all the service concession arrangements of the Group.

13. INVENTORIES

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Raw materials	**20,545**	17,172
Finished goods	**19,165**	22,739
	39,710	39,911

14. TRADE RECEIVABLES

	30 June 2018 *RMB'000* **Unaudited**	31 December 2017 *RMB'000* Audited
Trade receivables	**760,157**	781,654
Impairment	**(6,675)**	(4,022)
	753,482	777,632

Trade receivables, which are non-interest-bearing, are recognised and carried at the original invoiced amount less any impairment loss. An estimate for doubtful debts is made when there is objective evidence that an impairment loss on receivables has been incurred. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

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

	30 June 2018 *RMB'000* **Unaudited**	31 December 2017 *RMB'000* Audited
0–90 days	**405,827**	348,463
91–180 days	**20,650**	20,718
Over 180 days	**327,005**	408,451
	753,482	777,632

As at 30 June 2018, 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 RMB367,198,000 (31 December 2017: RMB449,733,000). Included in the government dismantling tariffs are balances amounting to RMB321,337,000 (31 December 2017: RMB408,080,000) 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 provision for impairment is a provision of RMB2,304,000 (31 December 2017: RMB2,036,000) for individually impaired trade receivable with a carrying amount before provision of RMB2,663,000 (31 December 2017: RMB2,395,000). The impairment is considered irrecoverable by management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after period end, the ongoing relationship with the Group and the ageing of these receivables. The Group does not hold any collateral over these balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivable balances are amounts due from the Group's joint ventures of RMB12,437,000 (31 December 2017: RMB19,270,000) and amount due from the other operator of Waste Disposal Services of RMB610,000 (31 December 2017: RMB793,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

15. 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 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
0–90 days	**218,132**	311,541
91–180 days	**323,049**	43,810
Over 180 days	**143,360**	49,804
	684,541	405,155

Included in the trade payables are amounts of RMB125,000 (31 December 2017: RMB126,000) and RMB1,552,000 (31 December 2017: RMB1,975,000) due to joint ventures and the other operator of Waste Disposal Services, respectively, with similar credit terms offered by them to their major customers.

16. OTHER PAYABLES AND ACCRUALS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Receipt in advance	**—**	95,569
Accrued purchases	**116,286**	151,062
Interest payable	**13,112**	11,704
Amounts due to vendors of		
Beijing Lanjie Lide Environment Holding Limited (北京藍潔利德環境科技有限公司)	**1,500**	1,500
Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司)	**7,000**	7,000
Anhui Capital Environmental Technology Company Limited (安徽首創環境科技有限公司)	**1,000**	1,000
Yongji Huaxinda Clean Energy Co., Ltd.) (永濟市華信達清潔能源有限公司) ("Yongji Huaxinda")	**42,280**	—
Shangrao Fengshun Solid Waste Treatment Co., Ltd. (上饒市風順生活垃圾處理有限公司) ("Shangrao Fengshun")	**41,941**	—
Yingde Laohuyan Solid Waste Treatment Co., Ltd., (英德市老虎岩生活垃圾處理有限公司) ("Yingde Laohuyan")	**32,685**	—
Loan from a former shareholder of a subsidiary	**23,053**	—
Other tax payable	**30,914**	40,537
Accrued payroll and severance payment	**58,343**	65,089
Others	**22,556**	16,032
	390,670	389,493

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Secured bank and other borrowings *(Notes)*	**2,285,509**	1,104,595
Unsecured bank and other borrowings	**3,535,840**	3,594,106
	5,821,349	4,698,701
Carrying amount repayable:		
Within one year	**3,285,317**	3,145,327
More than one year, but not exceeding two years	**1,067,301**	919,710
More than two years, but not exceeding three years	**301,262**	344,204
More than three years, but not exceeding four years	**155,885**	86,669
More than four years, but not exceeding five years	**742,235**	29,240
Beyond five years	**269,349**	173,551
	5,821,349	4,698,701
Less: amounts due within one year shown under current liabilities	**(3,285,317)**	(3,145,327)
Non-current liabilities	**2,536,032**	1,553,374

Notes:

(1) Bank loan of RMB25,000,000 as at 30 June 2018 (31 December 2017: RMB50,000,000) was secured by the prepaid lease payments and buildings with a carrying amount of RMB54,857,000 (31 December 2017: RMB82,470,000).

(2) Bank loan of RMB77,500,000 as at 30 June 2018 (31 December 2017: RMB80,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited (楊州首創環保能源有限公司).

(3) Bank loans of RMB837,800,000 as at 30 June 2018 (31 December 2017: RMB708,200,000) were guaranteed by the corporate guarantee of the Group.

(4) Bank loan of RMB26,080,000 as at 30 June 2018 (31 December 2017: RMB29,660,000) was guaranteed by the corporate guarantee of a subsidiary of Beijing Capital Group Co., Ltd. ("Beijing Capital Group").

(5) Other loan of RMB197,172,000 from Beijing Guozi Financial Leaseing Company Limited (北京國資融資租賃股份有限公司) as at 30 June 2018 (31 December 2017: RMB236,735,000) was secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司).

(6) Other loans of RMB35,000,000 from Beijing Agricultural Investment and Finance Leasing Company Limited (北京農投融資租賃有限公司) and RMB39,233,000 from Beijing Agricultural Investment Commercial Factoring Company Limited (北京農投商業保理有限公司) as at 30 June 2018 (31 December 2017: nil) were secured by the service concession arrangement in Shangrao Fengshun.

(7) Other loan of RMB47,724,000 from Beijing Agricultural Investment Commercial Factoring Company Limited as at 30 June 2018 (31 December 2017: nil) was secured by the service concession arrangement in Yingde Laohuyan.

(8) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 30 June 2018 (31 December 2017: nil) was secured by the corporate guarantee of Beijing Capital Group.

Included in bank borrowings is a loan of Hong Kong dollars ("HK$") 700,000,000 from Bank of China (Hong Kong) Limited with interest bearing at 1.35% per annum over Hong Kong Interbank Offer Rate, and with keepwell provided by 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.

As at 30 June 2018, the Group had undrawn borrowing facilities amounting to RMB372,736,000 (31 December 2017: RMB1,728,807,000).

As at 30 June 2018, the Group's bank and other loans of RMB3,992,406,000 were charged at fixed interest rates while RMB1,828,943,000 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.

18. BUSINESS COMBINATIONS

On 11 February 2018, Beijing Capital Environment Investment Limited (北京首創環境投資有限公司) ("Capital Investment"), an indirectly wholly-owned subsidiary of the Company, acquired 100% interest in Yingde Laohuyan from a third party. Yingde Laohuyan is engaged in municipal solid waste treatment. The consideration for the acquisition is RMB32,685,000.

On 13 February 2018, Capital Investment acquired 100% interest in Shangrao Fengshun from a third party. Shangrao Fengshun is engaged in waste treatment services. The consideration for the acquisition is RMB41,941,000.

On 22 May 2018, Capital Investment acquired 55% interest in Mianyang Lubo Lubricant Co., Ltd. (綿陽路博潤滑油脂有限公司) ("Mianyang Lubo") from a third party. Mianyang Lubo is engaged in hazardous waste treatment services. The consideration for the acquisition is RMB32,390,000, with RMB20,000,000 paid on 30 May 2018.

On 12 June 2018, Capital Investment acquired 80% interest in Yongji Huaxinda from a third party. Yongji Huaxinda is engaged in waste treatment and waste-to-energy generation services. The consideration for the acquisition is RMB60,409,000, with RMB9,500,000 and RMB8,629,000 paid on 25 August 2017 and 30 May 2018, respectively.

Assets acquired and liabilities registered at the dates of acquisitions were as follows:

	Yingde Laohuyan RMB'000	Shangrao Fengshun* RMB'000	Mianyang Lubo* RMB'000	Yongji Huaxinda RMB'000	Total RMB'000
Property, plant and equipment	82	1,322	10,411	151	11,966
Prepaid lease payment	—	—	4,058	—	4,058
Other intangible assets	—	—	1,500	—	1,500
Concession financial assets	80,156	63,289	—	—	143,445
Contract assets	—	—	—	121,334	121,334
Prepayments, deposits and other receivables	3,739	59,900	17,617	951	82,207
Inventories	—	—	174	—	174
Trade receivables	4,295	4,271	—	—	8,566
Cash and cash equivalents	735	698	13,138	161	14,732
Trade payables	(1,103)	(8,252)	—	(174)	(9,529)
Other payables and accruals	(290)	(3,879)	(317)	(32,085)	(36,571)
Tax payables	—	(2,413)	—	—	(2,413)
Interest-bearing bank and other borrowing	(50,088)	(74,763)	—	—	(124,851)
Deferred tax liabilities	(4,841)	—	—	(14,826)	(19,667)
Total identifiable net assets at fair value	32,685	40,173	46,581	75,512	194,951
Non-controlling interests	—	—	(20,957)	(15,103)	(36,060)
Goodwill on acquisitions	—	1,768	6,766	—	8,534
Satisfied by:					
Cash	—	—	20,000	8,629	28,629
Cash consideration paid in prior year	—	—	—	9,500	9,500
Cash consideration recorded in other payables	32,685	41,941	12,390	42,280	129,296
	32,685	41,941	32,390	60,409	167,425

* *The purchase price allocation for Shangrao Fengshun and Mianyang Lubo was still in progress as at 30 June 2018. Under the acquisition agreements, the considerations of acquisitions were amounted to approximately RMB41,941,000 and RMB32,390,000, respectively, identifiable net assets have been recognised provisionally and unallocated goodwill of approximately RMB1,768,000 and RMB6,766,000 ,respectively, were recognised as at 30 June 2018. Management shall utilise the measurement period adjustment available in HKFRS 3 Business Combinations to revisit and retrospectively adjust these provisional values, if necessary.*

An analysis of the cash flows in respect of the acquisitions were as follows:

	Yingde Laohuyan *RMB'000*	Shangrao Fengshun *RMB'000*	Mianyang Lubo *RMB'000*	Yongji Huaxinda *RMB'000*	Total *RMB'000*
Cash consideration	—	—	(20,000)	(8,629)	(28,629)
Cash and cash equivalents	735	698	13,138	161	14,732
Net outflow of cash and cash equivalents included in cash flows from investing activities	735	698	(6,862)	(8,468)	(13,897)

19. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

During the first half of 2018, the risk of high uncertainty of the global economy persisted in the world's unsettled financial market. With spiraling trade tensions between the PRC and the United States, the United States repeatedly declared imposition of tariffs on Chinese exports and infringement of intellectual property rights in the PRC. The escalating trade frictions between the PRC and the United States obviously intensified caution in the market, and all global economic indicators including stock market and bond market took a sharp turn for the worse, eroding investor confidence again. As an important engine of the global economy, the PRC faced an extremely complicated and tough environment at home and abroad. Still, the national economy continued to be stable with good momentum for growth, with further progress in structural adjustment, replacement of old drivers with new drivers and steady improvement in quality and benefit. While the economy experienced stable development, the PRC actively promoted the development of new sources of economic growth and made efforts to develop green economy into a new driver for its future economic change and environmentally friendly and sustainable development.

The development of green economy into the main economic engine continuously brought about opportunities for the thriving development of the environmental protection industry in the PRC. The state raised ecological civilization construction to an unprecedented level, with unprecedented support from the central and local governments, demonstrating the determination of the central government to tackle environmental protection issues. Moreover, green environmental protection was urged to be in equal importance of strategic levels with issues of society and livelihood, which was beneficial to "stabilize growth, adjust structure, benefit the people", while at the same time it matched 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 will provide unprecedented opportunities for environmental protection enterprises to go global for a bigger market.

As a leading provider of integrated waste treatment solution and environmental infrastructure construction services in the PRC, the Group will adhere to the core philosophy of "treating improvement in the environmental protection issue of the state as its duty" and give play to its comprehensive strength. Driven by brands, strategy, talents and technology, the Group will 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., (北京首都創業集團有限公司) ("Beijing Capital Group") 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 creating a good environment and beautiful life. As such, the management is confident of the future development of the Group.

During the first half of 2018, 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 and laying a solid foundation for maintaining and reinforcing its leading position in the industry.

In terms of market expansion, during the first half of 2018, the Group successfully obtained 8 waste treatment projects in the PRC, with the total investment of approximately RMB1,180 million, the newly-designed annual solid waste treatment capacity of 1,160,000 tons and the daily treatment capacity more than 3,226 tons. The new projects include: solid waste innocuous landfill in Laohuyan, Yingde City, Guangdong Province, project of solid waste sanitary landfill in Shangrao City, Jiangxi Province, project of solid waste incineration power generation in Yongji City, Shanxi Province, urban and rural household refuse collection, transportation and landfill project in Guangchang County, Fuzhou City, Jiangxi Province, PPP project of treatment of non-standard dumping sites in Huainan City, Anhui Province, waste incineration power generation project in Xichuan, Xixia and Neixiang Counties in Nanyang City, Henan Province, and project of comprehensive utilization of used mineral oil in Mianyang City, Sichuan Province. The above-mentioned projects enable the Group to continuously remain the growth of incineration projects under the fundamental businesses and 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.

In terms of business expansion, during the period under review, domestic environmental protection and alternative energy projects of the Group processed household waste of 1,398,400 tons in aggregate and generated total on-grid electricity of 103 million kWh. As of 30 June 2018, the Group secured a total of 60 projects (including 19 waste-to-energy projects, 8 waste landfill projects, 6 anaerobic digestion technology treatment projects, 15 waste removal, collection, storage and transportation projects, 6 hazardous waste treatment projects, 2 dismantling waste electronic appliances projects and 4 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB14,870 million, of which the investment amount amounted to RMB4,780 million as at 30 June 2018. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 12.57 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units. The said projects have gradually entered into the construction and operation period. As of 30 June 2018, there were 34 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.

In terms of overseas market, the Group held 51% shares of BCG NZ Investment Holding Limited ("BCG NZ Group"). BCG NZ Group has been operating continuously for more than 100 years, and is the largest waste management service supplier in New Zealand with over 30% market share. It has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers in New Zealand.

With the development of business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and strengthen the efficiency and the synergistic effect, during the period under review, the Group successively signed cooperation agreements or memoranda with many powerful companies, so as to seek cooperation from various aspects and achieve complementation, equality and mutual benefit, resource sharing and a win-win outcome.

Looking ahead, given there are huge demand for green environmental protection industry during the economic and social development in the PRC 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), the Group can realize the full potential of all the opportunities for future development. 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 utilize 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

During the period under review, the net profit attributable to the owners of the Company amounted to approximately RMB86 million, compared to RMB75.9 million of the corresponding period of last year. The increase in profit was mainly due to construction profit and operating profit contributed as a result of successive commencement of construction and operation of projects, respectively.

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 RMB2,233.8 million, representing an increase of approximately 35.4% as compared to that of the corresponding period last year.

During the period under review, the gross profit margin of the Group was approximately 24.3%.

Administrative Expenses

During the period under review, the administrative expenses of the Group increased by approximately 11.4% to approximately RMB295.8 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 30.8% to approximately RMB121.7 million, compared to that of the corresponding period last year. The increment was mainly attributable to the increase of the borrowings of the Company and the subsidiaries in the PRC.

Financial Position

As at 30 June 2018, the Group had total assets amounting to approximately RMB12,338.9 million and net assets attributable to the owners of the Company were approximately RMB3,259.9 million. The gearing ratio (which is calculated on the basis of total liabilities over total assets) was approximately 63%, an increase of 5 percentage points from 58% at the end of 2017. The current ratio (which is calculated on the basis of current assets over current liabilities) increased from approximately 0.56 as at 31 December 2017 to approximately 0.64 as at 30 June 2018.

In order to maximise the shareholders' return and the market capitalisation, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level. 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 2018, the Group had cash and bank balances, time and pledged bank deposits of approximately RMB1,306.9 million, representing an increase of approximately RMB397.6 million as compared to approximately RMB909.3 million at the end of 2017. The increment was mainly due to the increase in bank financing during the year under review. Currently, most of the Group's cash is denominated in RMB, HK$ and NZ$.

Borrowings

As at 30 June 2018, the Group had outstanding borrowings of approximately RMB5,821.3 million, representing an increase of approximately RMB1,122.6 million as compared to approximately RMB4,698.7 million at the end of 2017. The borrowings comprised secured loans of approximately RMB2,285.5 million and unsecured loans of approximately RMB3,535.8 million. The borrowings are denominated in RMB, HK$ and NZ$. Approximately 69% and 31% 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$, NZ$ 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 2018, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangements, the prepaid lease payments and buildings.

Capital commitment arrangements

As at 30 June 2018, the Group had capital commitment of approximately RMB1,037.9 million and RMB234.9 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

Contingent Liabilities

As at 30 June 2018, the Group provided guarantees of approximately RMB0.626 million in favour of a bank in respect of banking facilities granted to an associate. The Group provided guarantees of approximately NZ$57.2 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 2018, the Group had about 3,610 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 2018 (six months ended 30 June 2017: 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 2018.

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 chairlady 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 2018 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 2018 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 2018 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board
Capital Environment Holdings Limited
Zhang Meng
Chairlady

Hong Kong, 24 August 2018

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