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## CAPITAL ENVIRONMENT HOLDINGS LIMITED

### 首創環境控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 03989)**

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “**Board**”) of Capital Environment Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

#### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2024*

	<i>Notes</i>	<b>2024</b> <i>RMB'000</i> <b>Unaudited</b>	<b>2023</b> <i>RMB'000</i> <b>Unaudited</b>
<b>REVENUE</b>	5	<b>1,786,721</b>	1,908,540
Cost of sales		<u><b>(1,136,244)</b></u>	<u>(1,256,574)</u>
Gross profit		<b>650,477</b>	651,966
Other income and gains	5	<b>60,671</b>	37,274
Selling expenses		<b>(7,181)</b>	(14,284)
Administrative expenses		<b>(191,292)</b>	(188,387)
Impairment losses on financial and contract assets, net		<b>(40,576)</b>	(38,785)
Other expenses		<b>(24,306)</b>	(95,471)
Finance costs	7	<b>(212,903)</b>	(223,134)
Share of profits of associates		<u><b>1,235</b></u>	<u>2,675</u>

	<i>Notes</i>	<b>2024</b> <b>RMB'000</b> <b>Unaudited</b>	2023 <i>RMB'000</i> Unaudited
<b>PROFIT BEFORE TAX</b>	6	<b>236,125</b>	131,854
Income tax (expense)/credit	8	<b>(41,305)</b>	3,644
<b>PROFIT FOR THE PERIOD</b>		<b>194,820</b>	135,498
Attributable to:			
Owners of the parent		<b>170,656</b>	150,386
Non-controlling interests		<b>24,164</b>	(14,888)
		<b>194,820</b>	135,498
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	9		
Basic and diluted			
– For profit for the period		<b>RMB1.19 cents</b>	RMB1.05 cents

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2024*

	<b>2024</b>	<b>2023</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>PROFIT FOR THE PERIOD</b>	<b><u>194,820</u></b>	<b><u>135,498</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of a foreign operation	<u>(2,251)</u>	<u>(10,069)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>(2,251)</u>	<u>(10,069)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>(200)</u>	<u>(2,001)</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>(200)</u>	<u>(2,001)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b><u>(2,451)</u></b>	<b><u>(12,070)</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b><u>192,369</u></b>	<b><u>123,428</u></b>
Attributable to:		
Owners of the parent	<u>169,307</u>	143,251
Non-controlling interests	<u>23,062</u>	<u>(19,823)</u>
	<b><u>192,369</u></b>	<b><u>123,428</u></b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	<b>Audited</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>486,325</b>	525,001
Right-of-use assets		<b>68,197</b>	74,489
Goodwill		<b>6,055</b>	6,055
Other intangible assets	<i>12</i>	<b>4,817,463</b>	4,803,394
Investments in associates		<b>48,598</b>	41,388
Trade receivables	<i>15</i>	–	78,853
Equity investments designated at fair value through other comprehensive income		–	200
Deferred tax assets		<b>56,751</b>	46,443
Concession financial assets	<i>13</i>	<b>7,843,553</b>	7,797,224
Contract assets		<b>209,223</b>	469,620
Prepayments, other receivables and other assets	<i>14</i>	<b>98,497</b>	107,275
Pledged deposits		<b>32,324</b>	6,849
		<hr/>	<hr/>
Total non-current assets		<b>13,666,986</b>	13,956,791
<b>CURRENT ASSETS</b>			
Inventories		<b>80,274</b>	77,616
Concession financial assets	<i>13</i>	<b>1,672,563</b>	1,631,688
Contract assets		<b>1,078,720</b>	910,285
Trade receivables	<i>15</i>	<b>2,530,981</b>	2,000,260
Prepayments, other receivables and other assets	<i>14</i>	<b>1,047,921</b>	1,015,087
Pledged deposits		<b>6,685</b>	33,628
Cash and cash equivalents		<b>506,743</b>	661,811
		<hr/>	<hr/>
Total current assets		<b>6,923,887</b>	6,330,375

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	Audited
<b>CURRENT LIABILITIES</b>			
Trade payables	16	1,536,725	1,650,810
Other payables and accruals		275,925	261,067
Deferred income		16,854	17,047
Interest-bearing bank and other borrowings	17	1,329,913	1,364,343
Lease liabilities		5,650	21,911
Amounts due to related parties		197,573	141,012
Tax payables		62,763	71,879
		<hr/>	<hr/>
Total current liabilities		3,425,403	3,528,069
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		3,498,484	2,802,306
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		17,165,470	16,759,097
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		288,659	297,554
Interest-bearing bank and other borrowings	17	9,262,152	9,107,701
Deferred tax liabilities		689,703	657,977
		<hr/>	<hr/>
Total non-current liabilities		10,240,514	10,063,232
		<hr/>	<hr/>
Net assets		6,924,956	6,695,865
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the parent</b>			
Issued capital		1,275,167	1,275,167
Reserves		5,323,530	5,154,223
		<hr/>	<hr/>
		6,598,697	6,429,390
		<hr/>	<hr/>
Non-controlling interests		326,259	266,475
		<hr/>	<hr/>
Total equity		6,924,956	6,695,865
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

## 1. CORPORATE AND GROUP INFORMATION

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 principal place of business in Hong Kong is located at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

The principal activity of the Company and its subsidiaries is waste treatment and waste-to-energy business.

The immediate holding company of the Company is Beijing Capital (Hong Kong) Limited ("**Beijing Capital (HK)**"), a company incorporated in Hong Kong, and the ultimate holding company is Beijing Capital Group Co., Ltd. ("**Beijing Capital Group**"), a state-owned enterprise registered in the People's Republic of China ("**PRC**").

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 ("**HKAS 34**") *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the " <b>2020 Amendments</b> ")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the " <b>2022 Amendments</b> ")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

#### **4. OPERATING SEGMENT INFORMATION**

The Group has only one reporting segment, which is the waste treatment and waste-to-energy business in the PRC.

## 5. REVENUE, OTHER INCOME AND GAINS

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

### Revenue

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Revenue from contracts with customers	1,523,209	1,639,245
Effective interest income on concession financial assets	263,512	269,295
Total	<u>1,786,721</u>	<u>1,908,540</u>

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Types of goods or services</b>		
Construction services under service concession arrangements	121,208	297,268
Operation services under service concession arrangements	1,038,898	924,078
Electronic appliance dismantling	4,731	107,404
Operation services not under service concession arrangements	178,349	203,203
Others	180,023	107,292
Total	<u>1,523,209</u>	<u>1,639,245</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	53,523	130,780
Services transferred over time	1,469,686	1,508,465
Total	<u>1,523,209</u>	<u>1,639,245</u>

### Other income and gains

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Bank interest income	1,734	6,019
Other interest income	24,602	3,011
Gain on disposal of items of property, plant and equipment	–	26
Government grants	33,955	17,042
Foreign exchange gains	–	8,172
Others	380	3,004
Total	<u>60,671</u>	<u>37,274</u>



## 6. PROFIT BEFORE TAX

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

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Cost of services rendered for service concession arrangements	750,677	867,048
Cost of other services provided	347,589	259,941
Cost of inventories sold	37,978	129,585
Depreciation		
– Property, plant and equipment	30,900	27,952
– Right-of-use assets	7,198	5,539
Amortisation of other intangible assets	105,885	104,186
Research and development costs	22,188	20,879
Lease payments not included in the measurement of lease liabilities	2,574	2,797
Auditor's remuneration	1,278	1,317
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	88,217	78,370
Pension scheme contributions	22,247	23,490
Foreign exchange differences, net	–	(8,172)
Impairment of financial and contract assets, net:		
Impairment of trade receivables	32,326	29,054
Impairment of financial assets included in prepayments, other receivables and other assets	1,463	2,889
Impairment of concession financial assets and relevant contract assets	6,787	6,842
Impairment of property, plant and equipment	18,650	–
Impairment of other intangible assets	–	87,800
Impairment loss recognised on right-of-use assets	–	3,679
Loss/(gain) on disposal of items of property, plant and equipment	970	(26)
	<b>750,677</b>	<b>867,048</b>

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Interest on bank and other borrowings	213,012	206,371
Interest on corporate bonds	–	15,119
Interest on lease liabilities	240	743
Total interest	213,252	222,233
Less: Interest capitalised	1,203	4,576
Others	854	5,477
Total	<b>212,049</b>	<b>217,657</b>
	<b>854</b>	<b>5,477</b>
	<b>212,903</b>	<b>223,134</b>

## 8. INCOME TAX

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

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Current income tax:		
– Chinese Mainland	19,887	9,184
Deferred	21,418	(12,828)
Total	<u>41,305</u>	<u>(3,644)</u>

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

The calculation of the basic earnings per share (“EPS”) amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 14,294,733,167 (six months ended 30 June 2023: 14,294,733,167) in issue during the period, as adjusted to reflect the rights issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2024 and 2023.

The calculation of basic earnings per share is based on:

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	<u>170,656</u>	<u>150,386</u>
	<b>Number of shares</b>	
	2024	2023
<b>Shares</b>		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	<u>14,294,733,167</u>	<u>14,294,733,167</u>

## 10. DIVIDENDS

	For the six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Final declared – HK\$1 cent	–	131,590

No dividend was proposed by the Company during the six months ended 30 June 2024 (six months ended 30 June 2023: the special dividends of RMB131,590,000 for the year ended 31 December 2022 were approved by the annual general meeting).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets with a cost of RMB10,874,000 (six months ended 30 June 2023: RMB8,157,000).

Assets with a net book value of RMB970,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB12,000), resulting in a net loss on disposal of RMB970,000 (six months ended 30 June 2023: a gain of RMB26,000).

The impairment of RMB18,650,000 during the six months ended 30 June 2024 was in relation to machinery, equipment and motor vehicles of Zibo Capital Solid Environment Technology Limited (淄博首拓環境科技有限公司), which is engaged in hazardous waste treatment. The recoverable amount has been determined based on a value in use calculation using cash flow projections based on financial budgets covering its useful life and the pre-tax discount rate applied to the cash flow projections is 10.1%.

## 12. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2024, addition of RMB119,955,000 in other intangible assets arising from service concession arrangements is mainly due to the completion of the construction of build-operate-transfer (“BOT”) projects operated by Puer Capital Environmental Energy Co., Ltd. (普洱首創環保能源有限公司), which is engaged in waste incineration power generation.

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

## 13. CONCESSION FINANCIAL ASSETS

	30 June	31 December
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Audited
Concession financial assets	9,629,232	9,541,196
Impairment	(113,116)	(112,284)
Total	<u>9,516,116</u>	<u>9,428,912</u>
Analysed for reporting purposes as:		
Current assets	1,672,563	1,631,688
Non-current assets	7,843,553	7,797,224
Total	<u>9,516,116</u>	<u>9,428,912</u>

The Group provides construction and operation services to the certain government authorities in Chinese Mainland (“Grantor”) under the service concession arrangements, the consideration received or receivable by the Group is recognised in accordance with HKFRS 15. The consideration may be 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 5.0% to 6.5%.

Service concession arrangements with the grantors in Chinese Mainland 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 payment of concession financial assets is generally along with the operating service rendered in the operating period.

An impairment analysis is performed at each reporting date using the probability of default method to measure expected credit losses. The probabilities of default rates are estimated based on published credit information of the Grantors. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 30 June 2024, the probability of default applied ranging from 0.08% to 1.98% and the loss given default was estimated to be 45% or 75%, which led to an impairment of RMB832,000 recognised during the period.

#### 14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	<b>30 June 2024 RMB'000 Unaudited</b>	31 December 2023 RMB'000 Audited
Advances to suppliers	49,012	47,073
Value added tax receivables	551,383	583,475
Interest receivable	5,024	5,024
Tender deposits	225,443	223,757
Disposal receivables ( <i>note</i> )	188,217	142,580
Others	127,339	120,453
	<hr/>	<hr/>
Total	<b>1,146,418</b>	1,122,362
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Current assets	1,047,921	1,015,087
Non-current assets	98,497	107,275
	<hr/>	<hr/>
Total	<b>1,146,418</b>	1,122,362
	<hr/>	<hr/>

Note:

The amounts were in relation to the termination of three service concession arrangements, resulting in receivables due from Beijing Yanqing District Urban and Rural Environmental Management Center (北京市延慶區城鄉環境管理中心), Huludao municipal government (葫蘆島市政府) and Weng'an county government (甕安縣政府) amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.

## 15. TRADE RECEIVABLES

	<b>30 June 2024 RMB'000 Unaudited</b>	31 December 2023 RMB'000 Audited
Trade receivables	2,653,284	2,169,090
Impairment	(122,303)	(89,977)
	<u>2,530,981</u>	<u>2,079,113</u>
Total	<b>2,530,981</b>	<b>2,079,113</b>
Analysed for reporting purposes as:		
Current assets	2,530,981	2,000,260
Non-current assets	–	78,853
	<u>2,530,981</u>	<u>2,079,113</u>
Total	<b>2,530,981</b>	<b>2,079,113</b>

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

	<b>30 June 2024 RMB'000 Unaudited</b>	31 December 2023 RMB'000 Audited
0 – 90 days	696,567	605,163
91 – 180 days	410,952	484,900
Over 180 days	1,423,462	989,050
	<u>2,530,981</u>	<u>2,079,113</u>
Total	<b>2,530,981</b>	<b>2,079,113</b>

Included in the Group's trade receivable balances is an amount due from Sichuan Bluestone Construction Co., Ltd. ("SC BlueStone", a fellow subsidiary of the Company) of RMB44,317,000 (31 December 2023: RMB49,710,000).

## 16. 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 2024 <i>RMB'000</i> Unaudited	31 December 2023 <i>RMB'000</i> Audited
0 – 90 days	775,675	853,442
91 – 180 days	52,307	57,749
Over 180 days	708,743	739,619
	<u>1,536,725</u>	<u>1,650,810</u>
Total	<u>1,536,725</u>	<u>1,650,810</u>

Included in the Group's trade payable balances are an amount due to Beijing Capital Air Environmental Science & Technology Co., Ltd. ("**Beijing Capital Air**", a fellow subsidiary of the Company) of RMB3,496,000 (31 December 2023: RMB19,493,000) and an amount due to Yanjin Shouchuang Water Service Co., Ltd ("**Yanjin Shouchuang Water Service**", a fellow subsidiary of the Company) of RMB151,000 (31 December 2023: RMB204,000) and an amount due to Qinhuangdao Capital Sitai Yida Environmental Protection Technology Co., Ltd. ("**Qinhuangdao Capital Sitai**", a fellow subsidiary of the Company) of RMB297,000 (31 December 2023: RMB297,000).

## 17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 <i>RMB'000</i> Unaudited	31 December 2023 <i>RMB'000</i> Audited
Secured bank and other borrowings	6,571,965	6,524,840
Unsecured bank and other borrowings	4,020,100	3,947,204
	<u>10,592,065</u>	<u>10,472,044</u>
Total	<u>10,592,065</u>	<u>10,472,044</u>
<b>Carrying amount repayable:</b>		
Within one year	1,329,913	1,364,343
More than one year, but not exceeding two years	2,072,113	2,040,066
More than two years, but not exceeding five years	3,491,163	3,356,741
Beyond five years	3,698,876	3,710,894
	<u>10,592,065</u>	<u>10,472,044</u>
Total	<u>10,592,065</u>	<u>10,472,044</u>
Less: amounts due within one year shown under current liabilities	<u>1,329,913</u>	<u>1,364,343</u>
Non-current liabilities	<u>9,262,152</u>	<u>9,107,701</u>

*Notes:*

- (1) Bank loans of RMB313,961,000 as at 30 June 2024 (31 December 2023: RMB308,601,000) were guaranteed by the corporate guarantee of the Group.
- (2) Bank loans of RMB1,030,372,000 as at 30 June 2024 (31 December 2023: RMB886,531,000) were secured by service concession arrangements in three subsidiaries of the Company which are engaged in waste incineration power generation and one other which is engaged in kitchen waste treatment, respectively.
- (3) Bank loans of RMB4,824,631,000 as at 30 June 2024 (31 December 2023: RMB4,882,873,000) were guaranteed by the corporate guarantee of the Group, and were secured by the service concession arrangements of twenty-four subsidiaries of the Company which are engaged in a variety of BOT projects.
- (4) A bank loan of RMB95,846,000 as at 30 June 2024 (31 December 2023: RMB108,345,000) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司).
- (5) A bank loan of RMB126,201,000 as at 30 June 2024 (31 December 2023: RMB138,821,000) was guaranteed by the corporate guarantee of the Group, and was secured by the leasehold land with a carrying amount of RMB35,544,000 (31 December 2023: RMB35,942,000).
- (6) Other loan of RMB69,000,000 (31 December 2023: RMB69,000,000) from China Clean Development Mechanism Fund (中國清潔發展機制基金) as at 30 June 2024 was secured by the service concession arrangement in Fuzhou Capital Haihuan Environmental Technology Co., Ltd (福州首創海環環保科技有限公司).
- (7) Other loan of from Beijing Guozi Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 30 June 2024 was repaid (31 December 2023: RMB10,203,000), which was secured by the service concession arrangement in Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司).
- (8) Other loan of RMB111,945,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 30 June 2024 (31 December 2023: RMB120,467,000) was guaranteed by the corporate guarantee of the Group, and was secured by the service concession arrangement in Renqiu Capital Environmental Treatment Co., Ltd (任丘首創環境治理有限公司).
- (9) Other loan of RMB3,270,000,000 from Beijing Capital Ecological Environmental Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司, “**Beijing Capital Eco**”, the intermediate holding company of the Company) as at 30 June 2024 (31 December 2023: RMB3,170,000,000) was unsecured.

## MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2024, China's gross domestic product (GDP) grew by 5% year-on-year, maintaining its overall upward trend. Specifically, in the first quarter, the economy achieved a brilliant start beyond expectations, with a year-on-year increase of 5.3%, and the growth rate declined to 4.7% year-on-year in the second quarter. As indicated by the above data, the current trend of economic performance is consistent with the typical pattern of "a brilliant start in the first quarter and increased downward pressure in the second quarter" in the past few years. Looking ahead, the possible development might be "introducing measures aiming at stabilizing growth in the third quarter to boost the economy, and the growth continues in the fourth quarter at a slightly lower rate". This development trend is mainly attributable to the fact that in the first quarter, despite the early actions and efforts taken by various local organizations and governments, the problems of insufficient overall demand and sluggish expectations persisted, resulting in a less solid foundation for economic recovery, which led to the subsequent decline. From the perspective of economic momentum, the economic performance in the first half of the year was mainly driven by the higher-than-expected growth of exports, the high growth of manufacturing investment, and the soaring growth of corresponding infrastructure investment led by central fiscal expenditure. However, the unstable real estate market and tightened budgets of local finances resulted in restrictions on local infrastructure. From the perspective of microeconomic entities, the vitality of microeconomic entities such as local governments, residents and entrepreneurs remains to be further stimulated. In the first half of the year, the nominal GDP growth rate was 4.1% year-on-year, lower than the actual growth rate of 5%. The low prices directly affected fiscal revenue, residents' income and corporate income.

In the first half of the year, driven by multiple policies and technological innovations, China's environmental protection industry showed a positive development trend, but the market performance of different sectors significantly differentiated. In terms of waste incineration business, the new capacity and new investment dropped to 5,800 tons/day and RMB4.2 billion, respectively, representing a year-on-year decrease of 75% and 71%, respectively, both new record lows in the past three years. For the operation stage, cost reduction and efficiency enhancement have become the core competitive elements in the industry. Looking ahead, company mergers and acquisitions as well as project quality and efficiency improvement will become the main trends of industry development. In the environmental sanitation market, projects with an investment of over RMB10 million contributed an aggregate contract value of RMB93.9 billion, up by 14% year-on-year. As for the service term, the contract value of long term projects (franchised or purchase of services for more than eight years) was RMB26.6 billion, accounting for 28%, while the contract value of short term projects (three years and below) was RMB65 billion, accounting for as high as 69%. Due to the impact of the new public-private partnerships policy, the number of franchised projects dropped sharply. In addition, the site restoration business also gained positive growth momentum, with a contract value of RMB46.6 billion, representing a year-on-year increase of 15%. Its growth was mainly driven by land consolidation projects, such as the conversion of dry land into paddy field and land leveling to increase cultivated land.



Since entering the field of solid waste treatment in 2011, the Group has aligned itself with the development guidance of national policies to promptly grasp policy benefits and market opportunities, and fully implemented the “14<sup>th</sup> Five-Year Plan” strategy and the overall deployment of “Eco+2025” strategic iteration of Beijing Capital Eco-Environment Protection Group Co., Ltd. (collectively, the “**Capital Eco Group**”), a controlling shareholder of the Company. The Group has continuously made in-depth adjustments to its business structure to gradually enhance profitability. Simultaneously, it has pursued development driven by technological innovation, optimised the environment for technological innovation, enhanced its technological innovation capabilities and accelerated the establishment of its technological innovation strengths, to promote the high-quality development of the Group. During the first half of 2024, the Group focused on its environmental protection business, continuously consolidated the core position of its waste-to-energy incineration business, and actively promoted the development of asset-light business such as the urban-rural environmental sanitation, site restoration and energy conservation & dual carbon business. All business segments on the business chain have achieved greater synergies – a vertical synergy with waste incineration as the core, and a horizontal synergy among various types of waste, forming a comprehensive structure for solid waste treatment business. The Group proactively established three major asset-light business platforms, namely the site restoration department (based on Beijing Capital Environment Technology Company Limited), the environmental industry department (based on Beijing Capital Environmental Sanitation Company Limited) and the carbon asset management department (based on Beijing Municipal Beijie Energy Design and Research Institute Co., Ltd.), clarifying the positioning of the platforms and strengthening business development. Each platform actively explores new customers and new markets and continuously expands its business scope as well as scale. The Group pursued the strategic initiatives on transformation and upgrading, in-depth urban presence and value diversification and, with a focus on capacity building and technological innovation, created a diversified value-driven model of “investment + operation + service” to develop both asset-light and asset-heavy operations, supporting Capital Eco Group to achieve a multi-business portfolio covering “water, solid waste, air and energy” environmental services.

In the first half of 2024, adhering to the operating focus of “tackling challenges, improving quality, making innovation and increasing quantity”, the Group strived to expand its business increments, and based on key performance indicators such as return on equity improvement, continued to explore the potential for improvement in various aspects of existing asset operation and management, thereby delivering remarkable results. In particular, the Group’s turnover amounted to RMB1,787 million, of which waste-to-energy incineration, urban-rural environmental sanitation, site restoration and organic solid waste treatment contributed turnover of RMB1,698 million, accounting for 95.04% of the total revenue for the six months ended 30 June 2024. Seven city-oriented companies in Zhumadian, Nanchang, Nanyang, Huizhou, Xinxiang, Pingdingshan, and Duyun in aggregate recorded revenue of RMB678 million, of which four recorded revenue of more than RMB100 million. Compared to the corresponding period last year, five city-oriented companies recorded revenue growth, with Nanyang and Duyun companies in particular, experiencing a growth of over 35%. The Group’s net profit attributable to parent company amounted to RMB171 million, while the seven city-oriented companies in aggregate achieved a net profit attributable to parent company of RMB231 million, up by 3.63% year-on-year. Compared to the corresponding period last year, five city-oriented companies recorded profit growth, with Pingdingshan, Nanyang and Duyun companies recording more significant increases.

In the first half of 2024, in respect of results of operations, the Group's total assets reached RMB20,591 million, representing an increase of 1.5% as compared to RMB20,287 million as at 31 December 2023; the turnover amounted to RMB1,787 million, representing a year-on-year decrease of 6.38%; profit for the period amounted to RMB195 million, representing a year-on-year increase of 43.78%; and net profit attributable to parent company amounted to RMB171 million, representing a year-on-year increase of 13.48%.

In terms of project reserves, the Group secured a total of 67 projects (including 29 waste-to-energy projects, 5 waste landfill projects, 6 organic waste treatment projects, 18 cleaning, collection and transportation and management projects, 6 hazardous waste treatment projects, 1 waste electrical appliances dismantling project and 2 biomass power generation projects) in the PRC, with a total investment of approximately RMB19,783 million, of which RMB17,127 million had been invested before 30 June 2024. The facilities are designed with an aggregate annual waste treatment capacity of approximately 14,980,800 tons and annual electrical and electronic equipment dismantling volume of approximately 1.2 million units.

During the six months ended 30 June 2024, the Group's projects in operation or trial operation reached 57, including 26 waste-to-energy and biomass power generation projects, 4 waste landfill projects, 17 cleaning, collection and transportation and management projects, 1 dismantling project, 6 organic waste treatment projects, and 3 hazardous waste treatment projects. Key tasks were carried out in an orderly manner according to the Group's scientific management plan. In the first half of 2024, the Group completed domestic waste disposal of 5,041,600 tons, hazardous waste disposal of 23,100 tons, and a dismantling volume of 23,400 units, providing a total of 1,287 million kWh of on-grid electricity.

### **Significant achievements in comprehensive quality improvement**

In terms of franchise agreement maintenance, the Group coordinated and facilitated core matters in the field of franchise agreement maintenance and strengthened the control over key points. At present, the incineration project in Qianjiang, the kitchen waste treatment project in Fuzhou and the waste collection and transportation project in Gaoan have been successfully put into commercial operation. Price adjustments have been implemented for the incineration project in Puer and the waste collection and transportation project in Gaoan. In terms of technological renovation and efficiency improvement, the Group actively expanded the utilization of out-of-region garbage and general industrial solid waste, and promoted the implementation of technological renovation and efficiency improvement. The capacity utilization rate of projects increased from 77% to 87%. In particular, eight waste incineration power generation projects in Duyun, Gaoan, Nanyang, Xinxiang, Yutian, Tanghe, Yongji and Nanle, respectively recorded significant increase in capacity utilization rate compared with the beginning of the year. In addition, the average on-grid power generation per tonne of waste incineration power generation projects increased by 5.7% as compared with last year, with particularly significant increases observed in projects in Nanle, Zhengyang, Nong'an and Zhumadian. The Group also focused on proceeding with technological renovation in 10 projects including the incineration for charging piles project in Suixian and the incineration for heat supply project in Tanghe. At present, the incineration for charging piles project in Suixian, renovation of #1 boiler furnace of the incineration project in Shenzhou and the renovation of screw conveyors of No.2 and 3 channels of #1 furnace of the incineration project in Nanle have been completed, and other technological renovations are also in progress in an orderly manner. In terms of cost reduction and efficiency improvement, the Group vigorously promoted

centralized procurement for cost reduction, loan replacement, and energy conservation and consumption reduction. By broadening the categories and coverage of centralized procurement, the Group effectively controlled its procurement costs and saved the procurement amount by RMB14 million. At the same time, through measures to promote the reduction in loan interest rates, the incineration projects in Yutian, Xinxiang, Zhengyang and Nong'an have been granted lower interest rates, with the highest reduction reaching 80 basis points.

### **Fruitful results in innovative increment**

In terms of “open competition mechanism” for technological innovation, there are six projects in progress according to project plans. Among them, the flue gas deacidification process renovation project has made rapid progress and entered the test and commissioning stage. For the project of ash hopper with high-efficiency water-cooled heat exchange, the ash hopper has been manufactured and the furnace will be shut down for further construction when appropriate. For the steam turbine cold end comprehensive treatment project, the contract and technical agreement have been finalized. In terms of market expansion, the waste incineration derivative business was granted another 10 projects and signed a total of 47 contracts with a contract value of approximately RMB24 million; 6 urban and rural sanitation projects were implemented with an annual contract value of RMB69 million. In terms of technological innovation, the Group completed the final acceptance of four existing projects, added two project establishment applications, and accepted four invention patents and 10 utility model patents. Meanwhile, the Group also authorized four invention patents and 14 utility model patents. Based on the appraisal of scientific and technological achievements completed in December 2023, the Group applied for the Shanghai Science and Technology Award jointly with Donghua University in February 2024. The “key technologies and application achievements of the refined reconstruction of food waste resources and the application results of the step-by-step directional transformation” won the second prize of Shanghai Scientific and Technology Progress Award, which is a major breakthrough of the Group in the field of kitchen waste treatment.

### **Evident effect of systematic upgrade**

In terms of the operation system, the Group has actively advanced the establishment of an operational excellence system, organised the symposium on production technology, and continued to promote the implementation of three major regulations in the water treatment process. Through these measures, the Group has successfully elevated its power generation capacity, lowered the consumption of purchased electricity in its plants, and enhanced unit efficiency and other key indicators. In terms of management system for the environmental sanitation business, the Group has proactively promoted its improvement, with a focus on enhancing safety management, operational planning, human resources management and organisational capacity building for the environmental sanitation platform. In terms of blazing new trails, the Group has conducted in-depth research and feasibility studies centered on three directions, namely chemical recycling of waste plastics, new energy heating, and the application of heat pumps in large-scale waste-to-heat projects.

## **Comprehensive safety system**

In respect of the letter of responsibility for safety objectives, the Group has required all departments, subordinate entities and employees at all levels to sign the letter of responsibility for safety objectives, achieving a 100% signing rate. In terms of internal control system construction, the Group has formulated the “Key Points of the 2024 Safety Production Work” and the “2024 Work Plan for Safety Production”. The Group has also maintained the “Registration Form for Identification and Assessment of Hazard Source” for each project, and compiled the “High- and Medium-Risk Management and Control List” and the “Implementation Plan for Safety Inspectors in Safety Production Standardization”. In addition, the Group successfully held two monthly Safety Committee Office meetings and two quarterly Safety Committee meetings, and organized activities in response to the 23<sup>rd</sup> National “Safety Production Month”. For safety inspections, the Group carried out a total of 10 safety inspections, during which 265 safety hazards were identified and rectified. In the meantime, the Group organized 17 symposia on traffic safety. The coverage rate of safety inspections for high- and medium-risk types reached 100%, and all identified safety hazards were rectified on schedule, also achieving a 100% rectification rate. In terms of accident management, the “Management Measures for the Reporting, Investigation and Handling of Production Safety Accidents” and the “Management Measures for Related Parties” have been revised and issued simultaneously.

## **Diversified financing methods**

On the basis of maintaining good cooperative relationships with a number of mainstream financial institutions in the market, including Bank of China, Industrial and Commercial Bank of China, China Construction Bank and Postal Savings Bank of China, the Group achieved the notable results in persistently reducing the existing medium- and long-term borrowings and finance costs through in-depth and constructive communication with various cooperative banks, thanks to the supportive policies of the People’s Bank of China to create a more favorable monetary and financial environment by reducing finance costs for the real economy through ongoing guidance. In the first half of 2024, the Group secured RMB10,143 million of outstanding banking facilities in total, of which RMB500 million was granted to the Group’s headquarters and RMB9,643 million was granted to various project companies.

## **Business outlook**

The second half of 2024 will pose even greater challenges. The Group will continue to solidly advance its annual operational targets and forge ahead with determination. With the primary goal of promoting the implementation of projects, we will spare no effort and take the initiative to concentrate our resources on securing premium projects. In addition, we will steadfastly advance our efforts to reduce and end losses, while reducing accounts receivable, through solid and targeted actions. Supported by the improvement in return on equity, we will devote meticulous and thorough efforts to our business operations, relentlessly driving a comprehensive upgrade of the Group’s management. Centering on the “five key objectives”, we shall adopt “four major initiatives” and focus on 10 priorities for management improvement, thereby enabling the overall

elevation in the management level from the Group's headquarters down to each project. All business lines shall adhere to the predetermined arrangements and push forward key tasks. With a strong sense of responsibility, accountability and commitment, we will adopt targeted strategies and measures to accelerate the pace of development and embark on a new journey, so as to strive to excel in our work, accomplish tasks to the fullest, and aim to achieve the annual operational targets, thereby continuously driving the high-quality development of the Group.

## **FINANCIAL REVIEW**

### **Financial Performance**

For the period under review, the Group's revenue from its waste treatment and waste-to-energy business was approximately RMB1,786,721,000, representing a decrease of approximately 6.38% as compared to approximately RMB1,908,540,000 for the corresponding period in 2023. The decrease was mainly due to projects under construction were put into commercial operation, resulting in a corresponding decrease in construction revenue; and a sharp reduction in revenue as a result of the closure of dismantling project.

For the period under review, the Group's gross profit margin was approximately 36.41%, representing an increase from approximately 34.16% for the corresponding period in 2023. The increase was mainly attributable to the increase in waste disposal and the continuous improvement in power generation efficiency of some project companies for the period under review, which led to an increase in operating income and a decrease in the amortisation of fixed costs. The Group's selling and administrative expenses decreased by approximately 2.07% to approximately RMB198,473,000. The decrease was mainly due to a decrease in sales commissions as a result of a reduction in business volume of hazardous waste projects.

For the period under review, net profit attributable to owners of the Company was approximately RMB170,656,000, representing an increase of approximately 13.48% as compared to approximately RMB150,386,000 for the corresponding period in 2023. The increase was mainly due to a decrease in the provision for impairment of long-term assets for the period under review.

### **Financial Position**

As at 30 June 2024, the Group had total assets of approximately RMB20,590,873,000 and net assets attributable to owners of the Company were approximately RMB6,598,697,000. The gearing ratio (calculated as total liabilities divided by total assets) was 66.37%, representing a slight decrease of less than 1 percentage point as compared to 66.99% as at 31 December 2023. The current ratio (calculated as current assets divided by current liabilities) increased from approximately 1.79 as at 31 December 2023 to approximately 2.02, mainly due to the continuous increase in accounts receivable as most of the projects were put into commercial operation, and a decrease in accounts payable as a result of the successive payments of project balances.

## **Financial Resources**

The Group finances its operations primarily with internally generated cash flows, debt financing and bank loan facilities. As at 30 June 2024, the Group's cash and bank balances and pledged bank deposits amounted to approximately RMB545,752,000, representing a decrease of approximately RMB156,536,000 as compared to approximately RMB702,288,000 as at 31 December 2023. The decrease was mainly due to (i) slower collection of receivables due from the government, which was affected by factors such as financial approval processes and economic downturn; and (ii) the successive payments of project balances during the current period. Currently, most of the Group's cash is denominated in RMB, HK\$ and US\$.

## **Borrowings**

As at 30 June 2024, the Group had outstanding borrowings of approximately RMB10,592,065,000, representing an increase of approximately RMB120,021,000 as compared to approximately RMB10,472,044,000 as at 31 December 2023. The borrowings comprised secured loans of approximately RMB6,571,965,000 and unsecured loans of approximately RMB4,020,100,000. The borrowings are denominated in US\$ and RMB. Approximately 32% and 68% of the borrowings bear interest at fixed rate and variable rate, respectively.

As at 30 June 2024, the Group's undrawn loan facilities amounted to approximately RMB1,610,433,000.

Finance costs decreased by 4.59% from RMB223,134,000 for the corresponding period in 2023 to approximately RMB212,903,000. The decrease was mainly due to a decrease in interest expenses for the current period as a result of the repayment of RMB1 billion of bonds in May 2023.

## **Foreign Exchange Exposure**

The majority of the Group's sales, purchases and operating expenses were denominated in US\$, HK\$ and RMB. 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 prompt and appropriate hedging activities when needed.

## **Pledge of Assets**

As at 30 June 2024, certain banking facilities of the Group were secured by, inter alia, certain proceeds under the Group's service concession arrangements, bank balances of RMB3,045,000, and leasehold land and buildings of RMB35,544,000.

As at 30 June 2024, bank deposits of RMB35,964,000 were mainly bank balances pledged to secure service concession arrangements as required by the local governments.

## **Capital Commitment Arrangements**

As at 30 June 2024, the Group had capital commitments of approximately RMB102,542,000 in respect of construction works under service concession arrangements, which were contracted but not provided for in the unaudited consolidated financial statements.

## Contingent Liabilities

As at 30 June 2024, the Group provided performance guarantees of approximately RMB217,993,000 to the government authorities of the PRC in respect of the construction progress and continuous operation of the projects in the PRC.

The Group had a dispute with Fujian Huifeng Construction Engineering Co., Ltd (福建惠豐建築工程有限公司), concerning a construction project contract, amounting to RMB73,477,000. Fujian Huifeng Construction Engineering Co., Ltd claimed to the court for the unpaid contract amount of RMB67,735,000 and overdue interest payable for project payment of RMB5,742,000. As at 30 June 2024, the lawsuit is still in progress.

## Employee Information

As at 30 June 2024, the Group had a total of approximately 3,647 employees, with a male to female ratio of 3.44:1, mainly based in the PRC. Total staff costs amounted to RMB249 million, which included basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing provident fund or regular contributions to the MPF Scheme on behalf of employees. The Group regularly reviews its remuneration policy, which is linked to the performance of individual employees and based on the salary trends prevailing in the aforesaid regions. In addition, the Group continues to provide trainings (including professional skills training, production safety training, etc.) and development plans.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

As at 30 June 2024, there is no treasury shares held by the Company.

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended 30 June 2024.

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 11 March 2024, Shenzhen Qianhai Capital Environmental Investment Company Limited (深圳前海首創環境投資有限公司) (“**Shenzhen Qianhai**”), a direct wholly-owned subsidiary of the Company, entered into the capital increase agreement with Beijing Capital Eco-Environment Protection Group Co., Ltd. (北京首創生態環保集團股份有限公司) (“**Capital Eco Group**”), a controlling shareholder and a connected person of the Company, and Beijing Capital Environmental Sanitation Company Limited (“**Capital Environmental Sanitation**”), an indirect wholly-owned subsidiary of the Company immediately before the Capital Increase (as defined below), pursuant to which Capital Eco Group shall subscribe for the corresponding equity interest of RMB33,640,700 (representing approximately 49% of its enlarged registered capital) in the newly increased registered capital of Capital Environmental Sanitation (“**Capital Increase**”). The

consideration for the Capital Increase of RMB33,640,700 shall be settled by Capital Eco Group in cash and shall be paid into the account of Capital Environmental Sanitation on or before 30 June 2024. Upon completion of the Capital Increase, the equity interest of Shenzhen Qianhai in Capital Environmental Sanitation will be diluted to 51%. Since Capital Environmental Sanitation remained as a subsidiary of the Company upon completion of the Capital Increase, the financial results of Capital Environmental Sanitation continued to be consolidated into the financial statements of the Group. It is expected that the Group will not record any gain or loss from the Capital Increase. Please refer to the announcement of the Company dated 11 March 2024 for details.

Save as disclosed in this announcement, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

### **SIGNIFICANT INVESTMENTS HELD BY THE GROUP**

During the six months ended 30 June 2024, there were no significant investments held by the Group.

### **FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this announcement, the Group had no future plan for material investments or purchase of capital assets during the six months ended 30 June 2024.

### **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed in this announcement, there were no material events which would have an impact on the Company since 30 June 2024 and up to the date of this announcement.

### **CORPORATE GOVERNANCE PRACTICES**

The Board believes that high standards of corporate governance are essential to the success of the Company and the Company is committed to maintain a high level of corporate governance standards and practices. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices. The Company has complied with all the applicable code provisions set out in the CG Code for the six months ended 30 June 2024.

### **DIRECTORS’ MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. The Company has made specific enquiries of all Directors, and all Directors confirmed that they have complied with the required standards set out in the Model Code for the six months ended 30 June 2024.



## **REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) comprises three independent non-executive Directors, namely, Dr. Chan Yee Wah, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah has been appointed as the chairlady of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group during the six months ended 30 June 2024 and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results and interim report for the six months ended 30 June 2024 with the management. The Audit Committee is of the opinion that the unaudited interim results of the Group for the six months ended 30 June 2024 are in compliance with the relevant accounting standards, laws and regulations.

In addition, the Group’s external auditors (the “**Auditors**”) performed an independent review of the interim financial information for the six months ended 30 June 2024 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 Hong Kong Institute of Certified Public Accountants. 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 the Hong Kong Accounting Standard 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 (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2024 will be dispatched to the shareholders of the Company and published on the aforesaid websites in due course.

By order of the Board  
**Capital Environment Holdings Limited**  
**Li Fujing**  
*Chairman*

Beijing, 20 August 2024

*As at the date of this announcement, the Board comprises two executive directors, namely Mr. Li Fujing and Mr. Li Qingsong; one non-executive director, namely Ms. Hao Chunmei; and four independent non-executive directors, namely Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen, Dr. Chan Yee Wah and Dr. Cao Fuguo.*