



Capital Environment Holdings Limited 首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股票代號 : 03989



2024

Interim Report
中期報告



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Li Fujing (*Chairman*)
Mr. Li Qingsong (*Chief Executive Officer*)

Non-executive Director

Ms. Hao Chunmei

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah
Dr. Cao Fuguo

COMMITTEES

Audit Committee

Dr. Chan Yee Wah (*Chairlady*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen

Nomination Committee

Mr. Li Fujing (*Chairman*)
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah

Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)
Mr. Cheng Kai Tai, Allen
Mr. Li Fujing

JOINT COMPANY SECRETARY

Mr. Liu Yanjun
Ms. Lin Sio Ngo

AUTHORIZED REPRESENTATIVE

Mr. Li Fujing
Ms. Lin Sio Ngo

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

6/F, Building 1, Xindadu Hotel
21 Chegongzhuang Street, Xicheng District
Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wan Chai, Hong Kong, China

AUDITORS

Ernst & Young
Certified Public Accountants

HONG KONG LEGAL ADVISOR

Commerce & Finance Law Offices in Association with
Eric Chow & Co.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking
Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586
Gardenia Court, Cayman Bay
Grand Cayman, KY1-1100
Cayman Islands

Branch Registrar in Hong Kong

Tricolor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong, China

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

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 8 years) was RMB26.6 billion, accounting for 28%, while the contract value of short term projects (3 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, Capital Environment Holdings Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), has aligned itself with the development guidance of national policies to promptly grasp policy benefits and market opportunities, and fully implemented the "14th 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 adjustment 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 the year, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 ten 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 23rd 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 ten 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,

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 our 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF 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. As at 30 June 2024, there is no treasury shares held by the Company.

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 (北京首創環衛有限公司) ("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 interim report, 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 interim report, 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 interim report, there were no material events which would have an impact on the Company since 30 June 2024 and up to the date of this interim report.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, according to the information available to the Company and to the best of the knowledge of the Directors, none of the directors of the Company (the "Directors"), chief executives of the Company or their associates had interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be (a) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); or (b) recorded in the register pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2024, according to the information available to the Company and to the best of the knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) or corporations had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of shareholders	Capacity	Number of shares/ underlying shares held ^(Note 1)	Approximate percentage of shareholding ^(Note 1)
Beijing Capital (Hong Kong) Limited	Beneficial owner ^(Note 2)	6,449,026,736 (L)	45.11%
Beijing Capital Eco-Environment Protection Group Co., Ltd. ("Capital Eco Group")	Interest of a controlled corporation ^(Note 2)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner ^(Note 3)	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd. ("Beijing Capital Group")	Interest of a controlled corporation ^(Note 2&3)	9,565,793,808 (L)	66.92%

Notes:

1. "L" means holding a long position in shares. Approximate percentage of shareholding is calculated based on the total number of issued shares of the Company of 14,294,733,167 shares as at 30 June 2024.
2. Beijing Capital (Hong Kong) Limited is a wholly-owned subsidiary of Capital Eco Group, which is controlled by Beijing Capital Group. As such, Beijing Capital Group and Capital Eco Group are deemed to be interested in the shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.
3. BCG Chinastar International Investment Limited is a wholly-owned subsidiary of Beijing Capital Group. Therefore, Beijing Capital Group is deemed to be interested in the shares held by BCG Chinastar International Investment Limited for the purposes of the SFO.

Save as aforesaid, the Company and the Directors were not aware of any person (other than Directors or chief executives of the Company) or corporations who had any interests or short positions in the shares or underlying shares of the Company as at 30 June 2024 which were required to be notified to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION (CONTINUED)

CORPORATE GOVERNANCE PRACTICES

The Board of the Company believes that high standards of corporate governance are essential to the success of the Company and the Company is committed to maintaining 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 of 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.

CHANGES IN INFORMATION OF DIRECTORS

The changes in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of publishing the Company's 2023 annual report are as follows:

Name of Director	Particulars of the Changes
Non-executive Director: Ms. Hao Chunmei	Ceased to be a director of Beijing Capital (Hong Kong) Limited with effect from 22 March 2024

SHARE OPTION SCHEME

The Company has no any share option schemes currently in force.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting".

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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Independent review report

To the shareholders of Capital Environment Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 14 to 37, which comprises the condensed consolidated statement of financial position of Capital Environment Holdings Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong

20 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
REVENUE	5	1,786,721	1,908,540
Cost of sales		(1,136,244)	(1,256,574)
Gross profit		650,477	651,966
Other income and gains	5	60,671	37,274
Selling expenses		(7,181)	(14,284)
Administrative expenses		(191,292)	(188,387)
Impairment losses on financial and contract assets, net		(40,576)	(38,785)
Other expenses		(24,306)	(95,471)
Finance costs	7	(212,903)	(223,134)
Share of profits of associates		1,235	2,675
PROFIT BEFORE TAX	6	236,125	131,854
Income tax (expense)/credit	8	(41,305)	3,644
PROFIT FOR THE PERIOD		194,820	135,498
Attributable to:			
Owners of the parent		170,656	150,386
Non-controlling interests		24,164	(14,888)
		194,820	135,498
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted			
– For profit for the period		RMB1.19 cents	RMB1.05 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	2024 <i>RMB'000</i> Unaudited	2023 <i>RMB'000</i> Unaudited
PROFIT FOR THE PERIOD	<u>194,820</u>	<u>135,498</u>
OTHER COMPREHENSIVE INCOME		
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>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>(2,451)</u>	<u>(12,070)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>192,369</u>	<u>123,428</u>
Attributable to:		
Owners of the parent	169,307	143,251
Non-controlling interests	<u>23,062</u>	<u>(19,823)</u>
	<u>192,369</u>	<u>123,428</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	Notes	30 June 2024 RMB'000 Unaudited	31 December 2023 RMB'000 Audited
NON-CURRENT ASSETS			
Property, plant and equipment	11	486,325	525,001
Right-of-use assets		68,197	74,489
Goodwill		6,055	6,055
Other intangible assets	12	4,817,463	4,803,394
Investments in associates		48,598	41,388
Trade receivables	15	–	78,853
Equity investments designated at fair value through other comprehensive income		–	200
Deferred tax assets		56,751	46,443
Concession financial assets	13	7,843,553	7,797,224
Contract assets		209,223	469,620
Prepayments, other receivables and other assets	14	98,497	107,275
Pledged deposits		32,324	6,849
Total non-current assets		13,666,986	13,956,791
CURRENT ASSETS			
Inventories		80,274	77,616
Concession financial assets	13	1,672,563	1,631,688
Contract assets		1,078,720	910,285
Trade receivables	15	2,530,981	2,000,260
Prepayments, other receivables and other assets	14	1,047,921	1,015,087
Pledged deposits		6,685	33,628
Cash and cash equivalents		506,743	661,811
Total current assets		6,923,887	6,330,375
CURRENT LIABILITIES			
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
Total current liabilities		3,425,403	3,528,069
NET CURRENT ASSETS		3,498,484	2,802,306
TOTAL ASSETS LESS CURRENT LIABILITIES		17,165,470	16,759,097

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2024

	Notes	30 June 2024 RMB'000 Unaudited	31 December 2023 RMB'000 Audited
NON-CURRENT LIABILITIES			
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
Total non-current liabilities		10,240,514	10,063,232
Net assets		6,924,956	6,695,865
EQUITY			
Equity attributable to the owners of the parent			
Issued capital	18	1,275,167	1,275,167
Reserves		5,323,530	5,154,223
		6,598,697	6,429,390
Non-controlling interests		326,259	266,475
Total equity		6,924,956	6,695,865

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to the owners of the Company											
	Issued capital <i>RMB'000</i> (note 18)	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Capital redemption reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2024 (audited)	1,275,167	462,602	4,702	1,488,583	(481,084)	10,507	(16,033)	(271,277)	3,956,223	6,429,390	266,475	6,695,865
Profit for the period	-	-	-	-	-	-	-	-	170,656	170,656	24,164	194,820
Other comprehensive income for the period:												
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(200)	-	-	(200)	-	(200)
Exchange differences related to a foreign operation	-	-	-	-	-	-	-	(1,149)	-	(1,149)	(1,102)	(2,251)
Total comprehensive income for the period	-	-	-	-	-	-	(200)	(1,149)	170,656	169,307	23,062	192,369
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	-	36,722	36,722
Provision for safety production expenditures	-	-	-	-	-	6,648	-	-	(6,648)	-	-	-
At 30 June 2024 (unaudited)	1,275,167	462,602*	4,702*	1,488,583*	(481,084)*	17,155*	(16,233)*	(272,426)*	4,120,231	6,598,697	326,259	6,924,956

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2024

	Attributable to the owners of the Company										
	Issued capital <i>RMB'000</i> (note 18)	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Capital redemption reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2023 (audited)	1,275,167	462,602	4,702	1,488,583	(481,084)	(9,233)	(59,433)	3,812,044	6,493,348	190,736	6,684,084
Profit for the period	-	-	-	-	-	-	-	150,386	150,386	(14,888)	135,498
Other comprehensive income for the period:											
Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	(2,001)	-	-	(2,001)	-	(2,001)
Exchange differences related to a foreign operation	-	-	-	-	-	-	(5,134)	-	(5,134)	(4,935)	(10,069)
Total comprehensive income for the period	-	-	-	-	-	(2,001)	(5,134)	150,386	143,251	(19,823)	123,428
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	5,600	5,600
Dividend paid to a non-controlling shareholder	-	-	-	-	-	-	-	-	-	(122,834)	(122,834)
Dividend declared	-	-	-	-	-	-	-	(131,590)	(131,590)	-	(131,590)
Others	-	-	-	-	-	-	(207,593)	-	(207,593)	207,593	-
At 30 June 2023 (unaudited)	1,275,167	462,602	4,702	1,488,583	(481,084)	(11,234)	(272,160)	3,830,840	6,297,416	261,272	6,558,688

* These reserve accounts comprise the consolidated reserves of RMB5,323,530,000 (31 December 2023: RMB5,154,223,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Note	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		236,125	131,854
Adjustments for:			
Depreciation and amortisation	6	143,983	137,677
Loss/(gain) on disposal of items of property, plant and equipment	6	970	(26)
Impairment of prepayments, other receivables and other assets	6	1,463	2,889
Impairment of trade receivables	6	32,326	29,054
Impairment of concession financial assets and relevant contract assets	6	6,787	6,842
Impairment loss recognised on property, plant and equipment	6	18,650	–
Impairment of other intangible assets	6	–	87,800
Impairment loss recognised on right-of-use assets	6	–	3,679
Share of profits of associates		(1,235)	(2,675)
Interest income		(289,848)	(278,325)
Finance costs		212,903	223,134
		362,124	341,903
Increase in inventories		(2,658)	(8,986)
Decrease in concession financial assets and relevant contract assets in relation to service concession arrangements		379,242	162,664
Increase in trade receivables		(344,771)	(292,636)
Increase in other contract assets		(279,367)	(234,892)
Increase in prepayments, other receivables and other assets		(61,085)	(4,623)
Decrease in trade payables		(114,085)	(134,444)
Decrease in other payables and accruals		(12,899)	(156,781)
Decrease in deferred income		(8,891)	(606)
		(82,390)	(328,401)
Cash used in operations		(82,390)	(328,401)
Income tax paid		(29,004)	(66,201)
		(111,394)	(394,602)
Net cash flows used in operating activities			

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	2024 <i>RMB'000</i> Unaudited	2023 <i>RMB'000</i> Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions of other intangible assets and relevant contract assets in relation to service concession arrangements	(74,319)	(132,981)
Purchases of items of property, plant and equipment	(10,874)	(8,157)
Additions to other intangible assets	(15)	(490)
Proceeds from disposal of items of property, plant and equipment	–	38
Interest received	1,734	6,019
Acquisition of subsidiaries	–	(6,040)
Capital injection to an associate	(5,975)	–
Decrease/(increase) in pledged deposits	1,468	(4,499)
Proceeds from sale of service concession right	35,567	–
Net cash flows used in investing activities	(52,414)	(146,110)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(144,932)	(199,157)
Repayment of bank loans and other borrowings	(508,389)	(1,092,544)
New bank and other borrowings	626,626	2,467,701
Repayment of corporate bonds	–	(1,000,000)
Dividends paid to a non-controlling shareholder	–	(122,834)
Capital contribution from non-controlling shareholders of subsidiaries	36,722	5,600
Net cash flows from financing activities	10,027	58,766
NET DECREASE IN CASH AND CASH EQUIVALENTS	(153,781)	(481,946)
Effect of foreign exchange rate changes, net	(1,287)	(5,369)
Cash and cash equivalents at beginning of the period	661,811	1,512,806
CASH AND CASH EQUIVALENTS AT END OF PERIOD	506,743	1,025,491
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	545,752	1,067,216
Pledged deposits	(39,009)	(41,725)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	506,743	1,025,491

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 "2020 Amendments")
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

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 RMB'000 Unaudited	2023 RMB'000 Unaudited
Revenue from contracts with customers	1,523,209	1,639,245
Effective interest income on concession financial assets	263,512	269,295
Total	1,786,721	1,908,540

Disaggregated revenue information for revenue from contracts with customers:

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
Types of goods or services		
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	1,523,209	1,639,245
Timing of revenue recognition		
Goods transferred at a point in time	53,523	130,780
Services transferred over time	1,469,686	1,508,465
Total	1,523,209	1,639,245

Other income and gains

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 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	60,671	37,274

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
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)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
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
	212,049	217,657
Others	854	5,477
Total	212,903	223,134

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 RMB'000 Unaudited	2023 RMB'000 Unaudited
Current income tax:		
– Chinese Mainland	19,887	9,184
Deferred	21,418	(12,828)
Total	41,305	(3,644)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

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 RMB'000 Unaudited	2023 RMB'000 Unaudited
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	170,656	150,386
	Number of shares	
	2024	2023
Shares		
Weighted average number of shares in issue during the period used in the basic earnings per share calculation	14,294,733,167	14,294,733,167

10. DIVIDENDS

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

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 2024 RMB'000 Unaudited	31 December 2023 RMB'000 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%.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

13. CONCESSION FINANCIAL ASSETS (Continued)

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

	30 June 2024 RMB'000 Unaudited	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 (note)	188,217	142,580
Others	127,339	120,453
Total	1,146,418	1,122,362
Analysed for reporting purposes as:		
Current assets	1,047,921	1,015,087
Non-current assets	98,497	107,275
Total	1,146,418	1,122,362

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 (襄安縣政府) amounting to RMB81,204,000, RMB75,502,000 and RMB31,511,000, respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

15. TRADE RECEIVABLES

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

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:

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

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).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

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

Included in the Group's trade payables are amounts of RMB3,944,000 (31 December 2023 : RMB19,994,000) due to fellow subsidiaries of the Company.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2024 RMB'000 Unaudited	31 December 2023 RMB'000 Audited
Secured bank and other borrowings	6,571,965	6,524,840
Unsecured bank and other borrowings	4,020,100	3,947,204
Total	<u>10,592,065</u>	<u>10,472,044</u>
Carrying amount repayable:		
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
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 TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

17. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

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 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

18. ISSUED CAPITAL Shares

	30 June 2024 <i>HK\$'000</i>	31 December 2023 <i>HK\$'000</i>
Authorised: 33,683,800,000 (2023: 33,683,800,000) ordinary shares of HK\$0.1 each	<u>3,368,380</u>	<u>3,368,380</u>
	30 June 2024 <i>RMB'000</i> Unaudited	31 December 2023 <i>RMB'000</i> Audited
Issued and fully paid: 14,294,733,167 ordinary shares of HK\$0.1 each	<u>1,275,167</u>	<u>1,275,167</u>

19. CONTINGENT LIABILITIES

The Group also provided performance guarantees with a total amount of RMB217,993,000 (31 December 2023: RMB173,579,000) to the grantors in connection with the construction and operation services provided according to the service concession arrangements.

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.

20. COMMITMENTS

The Group had contracted construction work for its construction obligation under service concession arrangements amounting to RMB102,542,000 as at 30 June 2024 (31 December 2023: RMB111,376,000).

21. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the unaudited interim financial information, the Group entered into the following material related party transactions during the six months ended 30 June 2024.

(a) The transactions and balances with government-related entities are listed below:

The subsidiaries of the Group operate in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the government ("government-related entities"). The ultimate parent of the Company is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

21. RELATED PARTY TRANSACTIONS (Continued)

(a) The transactions and balances with government-related entities are listed below: (Continued)

(i) Transactions and balances with related parties within Beijing Capital Group:

Name of the related parties	Nature of the transactions	For the six months ended 30 June	
		2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
Beijing Capital (HK)	Rental expenses*	411	790
Beijing Capital Group	Guarantees charges**	–	2,852
SC BlueStone	Rendering of construction service***	3,762	167
Beijing Capital Eco	Interest expenses [^]	71,924	44,295
Yanjin Shouchuang Water Service	Purchase of goods ^{^^}	1,550	1,710
Beijing Capital Air	Purchase of machinery ^{^^}	–	35,475
Qinhuangdao Capital Sitai	Purchase of goods and cleaning trucks ^{^^^}	132	–

* The rental expenses were related to the office rental of RMB411,000 from Beijing Capital (HK) (six months ended 30 June 2023: RMB790,000).

** Beijing Capital Group provided guarantee services for the issued bonds of RMB1,000,000,000 based on the rate of 0.5% per annum and for a loan of RMB700,000,000 from Ping An Asset Management Co., Ltd. based on the rate of 0.6% per annum. Both of the borrowings and all the guarantee charges were repaid in 2023.

*** The construction service was related to an environmental remediation project subcontracted to the Group. The transaction was completed in 2023 and trade receivables due from SC Bluestone was RMB44,317,000 (31 December 2023: RMB49,710,000).

[^] The interest expenses was related to the loan of RMB3,270,000,000 from Beijing Capital Eco, which bears interest at 4.38% per annum. The interest payables due to Beijing Capital Eco as at 30 June 2024 were RMB190,242,000 (31 December 2023: RMB118,371,000).

^{^^} The Group purchased water from Yanjin Shouchuang Water Service Co., Ltd ("Yanjin Shouchuang Water Service", a fellow subsidiary of the Company), and machines from Beijing Capital Air Environmental Science & Technology Co., Ltd. ("Beijing Capital Air", a fellow subsidiary of the Company). The trade payables for the two related parties were RMB151,000 (31 December 2023: RMB204,000) and RMB3,496,000 (31 December 2023: RMB19,493,000) as at 30 June 2024, respectively.

^{^^^} The Group purchased some signage and electric deodorising cleaning trucks from Qinhuangdao Capital Sitai Yida Environmental Protection Technology Co., Ltd. ("Qinhuangdao Capital Sitai", a fellow subsidiary of the Company) during this period. The trade payables were RMB297,000 (31 December 2023: RMB297,000) as at 30 June 2024.

These transactions were conducted in accordance with the terms mutually agreed with the relevant parties. Rental expenses were charged according to the contracts agreed by both parties. Interest expenses were charged based on normal terms and agreed through negotiations between the parties. The services/purchases were made according to the prices and conditions mutually agreed by both parties. The guarantees fees were charged in accordance with the terms of the agreements entered into between the parties.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

21. RELATED PARTY TRANSACTIONS (Continued)

(a) The transactions and balances with government-related entities are listed below: (Continued)

(ii) Transactions and balances with other government-related entities:

The Group recognised revenue from the construction services and operation services of RMB121,208,000 (six months ended 30 June 2023: RMB297,268,000) and RMB1,038,898,000 (six months ended 30 June 2023: RMB924,078,000), respectively, under service concession arrangements with the PRC governments.

As at 30 June 2024, concession financial assets and relevant contract assets of RMB9,740,295,000 (31 December 2023: RMB9,759,447,000) were due from the PRC governments in relation to the construction services mentioned above.

RMB834,753,000 (31 December 2023: RMB646,103,000) of trade receivables and RMB560,042,000 (31 December 2023: RMB481,184,000) of contract assets were due from the PRC governments, including the Ministry of Finance of the PRC, in relation to government dismantling tariffs and electricity generation.

Trade receivables due from the local PRC governments in relation to the waste treatment were RMB1,466,076,000 (31 December 2023: RMB1,196,211,000).

Apart from the transactions disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

(b) The remuneration of key management personnel during the period was as follows:

	For the six months ended 30 June	
	2024 RMB'000 Unaudited	2023 RMB'000 Unaudited
Short-term benefits	2,803	3,993
Post-employment benefits	195	153
Total	2,998	4,146

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

	Carrying amounts		Fair values	
	30 June 2024 RMB'000	31 December 2023 RMB'000	30 June 2024 RMB'000	31 December 2023 RMB'000
Financial liabilities				
Interest-bearing bank and other borrowings	10,592,065	10,472,044	10,606,615	10,487,707

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance controller reports directly to the chief executive officer and the audit committee.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of Group's own non-performance risk for interest-bearing bank and other borrowings as at 30 June 2024 were assessed to be insignificant.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	–	–	–	–

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 June 2024

22. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Equity investment designated at fair value through other comprehensive income	—	—	200	200

Liabilities measured at fair value:

No liability was measured at fair value as at 30 June 2024 (31 December 2023: nil).

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 20 August 2024.



Capital Environment Holdings Limited
首創環境控股有限公司

