



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



Interim Report  
**2015** 中期報告

# CONTENTS

2	Corporate Information
3	Management Discussion and Analysis
8	Report on Review of Condensed Consolidated Financial Statements
9	Interim Financial Report
	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
	Condensed Consolidated Statement of Financial Position
	Condensed Consolidated Statement of Changes in Equity
	Condensed Consolidated Statement of Cash Flows
	Notes to the Condensed Consolidated Financial Statements
33	Disclosure of Interests and Other Information



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Yu Changjian (*Chairman*)  
Mr. Cao Guoxian (*Chief Executive Officer*)  
Mr. Liu Xiaoguang  
Mr. Shen Jianping

### Independent Non-executive Directors

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

## COMMITTEES

### Audit Committee

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

### Nomination Committee

Mr. Yu Changjian (*Chairman*)  
Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen  
Dr. Chan Yee Wah, Eva

### Remuneration Committee

Mr. Pao Ping Wing (*Chairman*)  
Mr. Cheng Kai Tai, Allen  
Mr. Yu Changjian

## COMPANY SECRETARY

Ms. Wong Bing Ni

## AUTHORIZED REPRESENTATIVES

Mr. Yu Changjian  
Ms. Wong Bing Ni

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613–1618,  
16th Floor,  
Bank of America Tower,  
12 Harcourt Road, Central,  
Hong Kong

## AUDITORS

Deloitte Touche Tohmatsu

## LEGAL ADVISERS

Conyers Dill and Pearman  
Jun He Law Offices

## 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

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

### Branch Registrar in Hong Kong

Tricor Investor Services Limited  
Level 22, Hopewell Centre,  
183 Queen's Road East,  
Hong Kong

## CORPORATE WEBSITE

[www.cehl.com.hk](http://www.cehl.com.hk)

## STOCK CODE

03989

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND FINANCIAL REVIEW

### Business Review

In the first half of 2015, Europe and the U.S. experienced moderate economic recovery while emerging economies faced a slowdown in economic growth. As an important engine of the global economy, PRC has been actively transforming its economic structures while continuing to maintain stable economic growth. The development of green economy and environmental protection industry has become the cornerstone for PRC future economic reforms and long-term development.

Following the identification of energy saving and environmental protection industry as top priority among the seven emerging industries set out in the National “12th Five-Year Plan”, relevant government authorities issued a series of guidelines and policies for environmental governance in 2013, including the Action Plan for Prevention and Control of Air Pollution 2013-2017 and the Ten Measures on Air Pollution Control. The blueprint for “Building a Beautiful China” put forward during the 18th National Congress of the Chinese Communist Party, in particular, placed an unprecedented emphasis on the environmental protection industry. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials.

During the review period, projects of the Group continued to progress steadily. Benefiting from favorable national policies and growing market demand, the Group has made remarkable achievements in operating results, market expansion, internal management, fund raising and financing, and the extension of its business chain. Leveraging on its leading technology in environmental protection and alternative energy as well as highly effective management, the Group stood out from the keen competition by continuously tapping into new markets, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

In the first half of 2015, the Group enhanced its cooperation with governments at all levels by entering into strategic cooperation agreements with provincial and municipal governments in Guizhou and Hubei, materializing investments in a batch of new projects in some new regions.

Riding on its extensive experience, the Group will make thorough preparation for various projects under development and push forward the construction of new projects to boost revenue growth. The completion and operation of projects acquired in previous years and the smooth progress of projects under construction will create new profit growth point for the Group.

### Business Prospects

The Group actively explores business opportunities in all areas of the environmental protection and alternative energy industry to keep up with its rapid development. As at 30 June 2015, the Group has a total of 20 environmental protection and alternative energy projects (including 8 waste-to-energy projects, 3 waste landfill projects, 3 anaerobic digestion treatment projects, 1 waste collection, storage and transportation project, 2 waste electronic appliances dismantling projects and 3 biomass power generation projects) with a total investment of approximately RMB6,731.0 million, from which RMB2,094.0 million has been invested as at 30 June 2015. The facilities are designed with an aggregate annual household waste processing capacity of approximately 5.0 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

By learning from its experience to be well prepared and well aware of the market trends, the Group concentrates its resources on developing the environmental energy sector.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 16 March 2015, the Group proposed to dispose of the 40% equity interest in Beijing Dongcun Project Company ("Proposed Disposal"). The Proposed Disposal will be made by way of public tender, auction and listing procedures conducted in strict compliance with relevant PRC laws and regulations in relation to transfer of state-owned assets, and relevant information has been currently provided to State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality and other competent authorities for approval. The reserve price for the 40% equity interest in Beijing Dongcun Project Company will be determined with reference to (among others) the valuation report on Beijing Dongcun Project Company to be prepared by an independent and qualified PRC valuer.

The household waste incineration power plant project in Quanling, Nanchang ("Nanchang Project"), which is wholly-owned by the Group, successfully held the igniting ceremony on 16 January 2015 and officially entered into the "72+24" experimental stage, marking the commencement of commercial trial operations of the first household waste incineration power generation project in Jiangxi Province, the PRC. Currently, Nanchang Project operates stably, and is on the process of settlement and expects to be transferable into commercial operation by the end of 2015.

Being one of the representative projects that demonstrate a high level of competence in the Group, Nanchang Project achieves the whole-chain treatment system for the first time, integrating the waste receiving and storage system, waste incineration system, residual heat boiler system, flue gas purification system, leachate treatment system, and ash residue removal system to generate a maximum amount of energy while reducing waste to the greatest degree. The heavily polluted water produced by the waste-to-energy power plant will be fully reprocessed, so that pollutants such as dioxins and heavy metals can be efficiently removed to realize the target of harmless emission. In addition, to put the concept of recycling into practice, the resulting waste residual will be reused to produce products such as ceramic tiles. Nanchang Project has been approved as an environmental demonstration base by the National Development and Reform Commission.

Principally equipped with two mechanical reciprocating grate boilers with a daily capacity of 600 tonnes and two 12MW steam turbine generator sets, Nanchang Project adopts mature and leading domestic and international process technologies to realize hazard-free disposal of one-third of urban solid waste in Nanchang City and to dispose of solid waste of approximately 1,200 tonnes per day and approximately 400,000 tonnes per year.

The change of industrial and commercial registration of Huizhou project in Guangdong has been duly completed on 1 July 2014 and the site selection of the new waste treatment plant is in progress. Pursuant to the plan, the new waste treatment plant is expected to treat 1,600 tonnes of waste daily upon completion.

The kitchen waste treatment project located in Yangzhou, Jiangsu was tendered by the Group on 6 November 2013, and is current under construction. The project is expected to complete site construction and then commence trial operation by the end of 2015.

In September 2014, the Group acquired the solid waste landfill project in Huludao, Liaoning province, which requires a total investment of RMB93.4 million and has the waste treatment capacity of 424 tonnes per day and the minimum guaranteed treatment capacity of 380 tonnes per day. The project is currently under construction and is expected to complete site construction and then commence trial operation by the end of 2015.

The project of village wastes collection, storage and transportation in Linyi County is the first waste collection and transportation project of the Group. The unit price charged for collection and transportation service is RMB160 per tonne, and the minimum guaranteed volume of waste is 260 tonnes per day. The project requires a total investment of RMB17.0 million and already put into trial operation in January 2015.

Shenzhen Pinghu project, Huaian project in Jiangsu Province, Ma An Shan project in Anhui Province and Duyun and Weng'an projects in Guizhou Province have officially commenced commercial operation.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Looking ahead, the Group is confident that it will seize all the opportunities for future development thanks to vigorous government support for the industry and continuous support from its substantial shareholders. Leveraging on the strong growth momentum of the waste treatment industry and the competitive edges of the Group, the management believes that the existing projects will make contribution to the Group once most of them are put into operation, and is therefore confident of achieving sustained growth in the medium to long term.

Aiming to make continuous contribution to the construction of beautiful China and global environmental protection, the Group will further consolidate and improve its existing businesses and technologies, and continue to seek projects with growth potential and good opportunities for acquisitions and mergers. The Group will take into consideration various sources of funding to finance future investments, including equity financing, debt financing, bank loans and/or loans from shareholders.

### FINANCIAL REVIEW

#### Overview

The net loss attributable to the owners of the Company amounted to approximately HK\$20.7 million for the period under review, as compared to approximately HK\$39.9 million for the same period last year.

#### Waste Treatment and Waste-to-energy Business

During the period under review, the Group's revenue for its waste treatment and waste-to-energy business reached approximately HK\$446.9 million, representing an increase of approximately 63.6% as compared to that of the same period last year.

For the period under review, the Group's gross profit margin reached approximately 19.4%, as compared to approximately 17.8% for the same period last year.

#### Administrative Expenses

The Group's administrative expenses increased by approximately 46.6% to approximately HK\$68.6 million during the period under review. This increase was mainly attributable to the increase in administrative expenses of newly acquired subsidiaries upon consolidation.

#### Finance Costs

Finance costs increased by approximately 69.8% to approximately HK\$42.8 million, as compared to the figure for the same period last year. The increase was mainly attributable to the increase in the interest on borrowings.

#### Financial Position

As at 30 June 2015, the Group had total assets amounting to approximately HK\$9,221.2 million, with approximately HK\$468.2 million of net assets attributable to the owners of the Company. The net gearing ratio, which is calculated on the basis of total borrowings (net of pledged bank deposits and cash and bank balances) over the Group's total shareholders' equity, was approximately 2.40 as at 31 December 2014. As at 30 June 2015, since the cash and cash equivalents exceeded borrowings, the net gearing ratio as at 30 June 2015 was not calculated. The current ratio, which is calculated on the basis of current assets over current liabilities, increased from approximately 0.55 as at 31 December 2014 to approximately 0.88 as at 30 June 2015.

In order to maximise shareholders' return and market capitalisation, the Group has internal policies in place to maintain its gearing ratio at a reasonable and acceptable level and to ensure that the debt-to-total investment ratio for each project will not exceed 60%. The Group has adopted a capital preservation policy for managing the funds raised but not utilised.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Resources

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholder and banks. As at 30 June 2015, the Group had cash and bank balances and pledged bank deposits of approximately HK\$6,445.8 million, representing an increase of approximately HK\$5,955.5 million as compared to approximately HK\$490.3 million as at the end of 2014. The increase was mainly due to the proceeds from rights issue and new borrowings secured during the year under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.

### Borrowings

As at 30 June 2015, the Group had outstanding borrowings of approximately HK\$1,951.3 million, representing an increase of approximately HK\$288.5 million as compared to approximately HK\$1,662.8 million as at the end of 2014. The borrowings comprised secured loans of approximately HK\$1,889.3 million and unsecured loans of approximately HK\$62.0 million. The borrowings are denominated in HK dollars and RMB. Approximately 45.7% and 54.3% of the borrowings are at fixed rate and variable rate respectively.

### Foreign Exchange Exposure

The Group's sales, purchases and operating expenses are mostly denominated in RMB, HK dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the board of directors of the Company ("the Board") does not expect future currency fluctuations to materially impact the Group's operations. During the period, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

### Charges on Assets

As at 30 June 2015, the Group's prepaid lease payments of approximately HK\$44.5 million and pledged bank deposits of approximately HK\$12.4 million were pledged to secure banking facilities.

### Capital Commitments

As at 30 June 2015, the Group had capital commitments of approximately HK\$145.3 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

### Contingent Liabilities

As at 30 June 2015, the Group provided guarantees of approximately HK\$39.1 million in favour of two banks in respect of banking facilities granted to an associate.

### Employment Information

As at 30 June 2015, the Group had about 1,099 employees in total, stationed mainly in the PRC and Hong Kong. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purposes of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**TO THE BOARD OF DIRECTORS OF  
CAPITAL ENVIRONMENT HOLDINGS LIMITED  
(FORMERLY KNOWN AS NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED)**  
*(incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 9 to 32, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Main Board Listing 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. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
17 August 2015

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	4	446,854	273,202
Cost of sales		(360,150)	(224,644)
Gross profit		86,704	48,558
Other income, gains and losses	5	1,517	581
Administrative expenses		(68,626)	(46,839)
Gain on fair value change of embedded derivatives		–	16,150
Gain (loss) on fair value change of warrants	22	79	(33,298)
Share of results of an associate	14	5,277	6,561
Finance costs	6	(42,798)	(25,180)
Loss before tax		(17,847)	(33,467)
Income tax credit	7	1,236	200
Loss for the period	8	(16,611)	(33,267)
<b>Other comprehensive income (expense):</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Exchange differences on translation:			
Exchange difference during the period		659	(18,344)
Exchange difference arising from an associate during the period		13	(3,603)
Other comprehensive income (expense) for the period		672	(21,947)
Total comprehensive expense for the period		(15,939)	(55,214)
(Loss) profit for the period attributable to:			
Owners of the Company		(20,724)	(39,913)
Non-controlling interests		4,113	6,646
		(16,611)	(33,267)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(20,645)	(59,985)
Non-controlling interests		4,706	4,771
		(15,939)	(55,214)
(restated)			
<b>Loss Per Share</b>	10		
Basic		HK(0.36) cents	HK(0.71) cents
Diluted		HK(0.36) cents	HK(0.80) cents

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	121,591	118,084
Intangible assets	12	398,717	360,210
Goodwill		13,810	13,810
Prepaid lease payments		67,777	69,121
Amounts due from grantors for contract work	13	1,463,009	1,330,171
Interest in an associate	14	113,380	108,090
Deposits paid for construction of infrastructure in service concession arrangements	15	116,221	101,658
Deposits, prepayments and other receivables	16(b)	4,375	4,375
Deferred tax assets		6,731	–
		<b>2,305,611</b>	<b>2,105,519</b>
<b>Current assets</b>			
Inventories	17	24,173	26,294
Trade receivables	16(a)	305,093	217,656
Deposits, prepayments and other receivables	16(b)	47,866	55,269
Amounts due from grantors for contract work	13	67,242	72,695
Prepaid lease payments		1,721	1,238
Amount due from an associate	18	23,652	23,141
Pledged bank deposits		12,368	22,077
Bank balances and cash		6,433,428	468,231
		<b>6,915,543</b>	<b>886,601</b>
<b>Current liabilities</b>			
Trade payables	19(a)	75,549	132,297
Other payables and accruals	19(b)	220,817	322,834
Provisions	19(c)	9,038	9,038
Deferred income		1,750	945
Taxation payable		56,339	54,641
Borrowings	20	1,337,013	1,025,913
Convertible bonds	21	70,424	63,674
Warrants	22	–	79
Receipt in advance from the subscription of rights shares	29	6,104,319	–
		<b>7,875,249</b>	<b>1,609,421</b>
<b>Net current liabilities</b>		<b>(959,706)</b>	<b>(722,820)</b>
<b>Total assets less current liabilities</b>		<b>1,345,905</b>	<b>1,382,699</b>

## Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2015

	NOTES	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
<b>Non-current liabilities</b>			
Deferred income		41,125	42,805
Borrowings	20	614,331	636,919
Deferred tax liabilities		13,848	10,435
		<b>669,304</b>	690,159
		<b>676,601</b>	692,540
<b>Capital and reserves</b>			
Share capital	23	473,150	473,150
Reserves		(4,906)	15,739
Equity attributable to owners of the Company		<b>468,244</b>	488,889
Non-controlling interests		<b>208,357</b>	203,651
		<b>676,601</b>	692,540

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Convertible	Convertible	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
					notes equity reserve HK\$'000	bonds equity reserve HK\$'000				
At 1 January 2014 (audited)	465,564	1,966,372	84,595	98	141	-	(2,035,022)	481,748	197,756	679,504
(Loss) profit for the period	-	-	-	-	-	-	(39,913)	(39,913)	6,646	(33,267)
Exchange differences on translation	-	-	(16,469)	-	-	-	-	(16,469)	(1,875)	(18,344)
Exchange differences arising from an associate on translation	-	-	(3,603)	-	-	-	-	(3,603)	-	(3,603)
Total comprehensive (expense) income for the period	-	-	(20,072)	-	-	-	(39,913)	(59,985)	4,771	(55,214)
Capital contribution from non-controlling interests of a subsidiary	-	-	-	-	-	-	-	-	2,500	2,500
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	1,825	1,825
At 30 June 2014 (unaudited)	465,564	1,966,372	64,523	98	141	-	(2,074,935)	421,763	206,852	628,615
At 1 January 2015 (audited)	473,150	2,004,939	62,009	98	-	51,981	(2,103,288)	488,889	203,651	692,540
(Loss) profit for the period	-	-	-	-	-	-	(20,724)	(20,724)	4,113	(16,611)
Exchange differences on translation	-	-	66	-	-	-	-	66	593	659
Exchange differences arising from an associate on translation	-	-	13	-	-	-	-	13	-	13
Total comprehensive income (expense) for the period	-	-	79	-	-	-	(20,724)	(20,645)	4,706	(15,939)
At 30 June 2015 (unaudited)	473,150	2,004,939	62,088	98	-	51,981	(2,124,012)	468,244	208,357	676,601

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		<b>(373,359)</b>	(106,778)
NET CASH USED IN INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	11	263	301
Purchase of prepaid lease payment		–	(9,650)
Purchase of property, plant and equipment	11	<b>(14,894)</b>	(24,603)
Deposits paid to contractors for construction of infrastructure in service concession arrangements		<b>(25,363)</b>	(71,312)
Deposits paid for acquisition of a potential acquiree		–	(15,000)
Advance to a potential acquiree		–	(5,801)
Acquisition of a subsidiary		–	(34,675)
Withdrawal of pledged bank deposits		9,709	12,692
Other investing cash flows		634	403
		<b>(29,651)</b>	(147,645)
NET CASH FROM FINANCING ACTIVITIES			
Repayment of borrowings	20	<b>(185,200)</b>	(128,688)
Interest paid		<b>(30,111)</b>	(11,612)
New borrowings raised	20	<b>472,992</b>	333,702
Proceeds from rights issue completed after the end of the reporting period	29	<b>6,104,319</b>	–
Proceeds from issue of warrants		–	3,940
Capital contribution from non-controlling interests of a subsidiary		–	2,500
		<b>6,362,000</b>	199,842
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<b>5,958,990</b>	(54,581)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<b>6,207</b>	(10,431)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<b>468,231</b>	575,932
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash		<b>6,433,428</b>	510,920

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

At 30 June 2015, the Group's current liabilities exceeded its current assets by approximately HK\$959,706,000. In preparing the condensed consolidated financial statements, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the Company has completed the rights issue on 3 July 2015 with net proceeds amounted to approximately HK\$2,114,346,000 (Note 29).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2014.

### Application of new and revised HKFRSs effective in the current period

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

### Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### **Application of new and revised HKFRSs effective in the current period (continued)**

##### **Annual Improvements to HKFRSs 2010-2012 Cycle (continued)**

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's condensed consolidated financial statements.

##### **Annual Improvements to HKFRSs 2011-2013 Cycle**

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### Application of new and revised HKFRSs effective in the current period (continued)

##### Annual Improvements to HKFRSs 2011-2013 Cycle (continued)

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's condensed consolidated financial statements.

#### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs and amendments that have been issued but are not yet effective.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>4</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exceptions <sup>4</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>4</sup>

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2017

4 Effective for annual periods beginning on or after 1 January 2016

The directors of the Company anticipate that the application of those new and revised standards and amendments issued but not yet effective will have no material impact on the results and financial position of the Group.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 3. SEGMENT INFORMATION

The Group has been operating with one reportable and operating segment, being the waste treatment and waste-to-energy business. Since there is only one reportable and operating segment, no segment information is provided.

### 4. REVENUE

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Provision of construction services under service concession arrangements	146,821	108,744
Provision of operation services under service concession arrangements	23,183	5,061
Effective interest income on amounts due from grantors for contract work	43,124	21,298
Provision of dismantling services	203,344	131,616
Electricity tariff	26,636	–
Consultancy fee income	3,746	6,483
	<b>446,854</b>	<b>273,202</b>

### 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Bank interest income	635	403
Interest income received from an associate	738	501
Total interest income	1,373	904
Loss on disposal of fixed assets	(22)	(486)
Others	166	163
	<b>1,517</b>	<b>581</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 6. FINANCE COSTS

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Interests on:		
Borrowings	32,655	17,192
Convertible bonds (Note 21)	6,750	7,057
Convertible notes	–	931
Bank charges	3,393	–
	<b>42,798</b>	<b>25,180</b>

### 7. INCOME TAX CREDIT

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising from Hong Kong for both periods.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate applicable to the Group's subsidiaries in the PRC is 25%.

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current income tax:		
PRC Enterprise Income Tax	3,009	5,136
Overprovision in prior year – Hong Kong	(930)	(3,717)
	<b>2,079</b>	<b>1,419</b>
Deferred tax:		
Current period	(3,315)	(1,619)
	<b>(1,236)</b>	<b>(200)</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Directors' and chief executive's emoluments	2,790	2,970
Staff's salaries and allowances	27,550	13,734
Retirement benefit scheme contribution	3,179	2,332
Total staff costs	30,729	16,066
Auditor's remuneration	792	691
Depreciation of property, plant and equipment	7,139	2,767
Amortisation of prepaid lease payments	859	621
Rental expenses	5,960	2,738
Amortisation of intangible assets (Note)	14,162	6,297
Legal and professional fees	8,715	6,578

Note:

During the six months ended 30 June 2015, approximately HK\$13,887,000 and approximately HK\$275,000 (for the six months ended 30 June 2014: approximately HK\$5,861,000 and approximately HK\$436,000) of amortisation of intangible assets were included in cost of sales and administrative expenses respectively.

### 9. DIVIDEND

No dividend was paid, declared or proposed during both interim periods. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 10. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Loss for the purpose of basic loss per share for the period attributable to owners of the Company	(20,724)	(39,913)
Effect of dilutive potential ordinary shares (Note):		
Convertible bonds	–	(9,093)
Convertible notes	–	778
Loss for the purpose of diluted loss per share for the period attributable to owners of the Company	(20,724)	(48,228)
<b>Number of shares</b>		
	2015 '000	2014 '000 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	5,727,486	5,635,655
Effect of diluted potential ordinary shares (Note):		
Convertible bonds	–	371,679
Convertible notes	–	20,289
Weighted average number of ordinary shares for the purpose of diluted loss per share	5,727,486	6,027,623

Note:

The weighted average numbers of ordinary shares for the purposes of basic and diluted loss per share have been adjusted for the bonus element of the rights issue as details in Note 29. The weighted average number of ordinary shares for the six months ended 30 June 2014 was restated retrospectively.

For the six months ended 30 June 2015, the computation of diluted loss per share does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible bonds of the Company since their assumed exercise would result in a decrease in loss per share.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed certain property, plant and equipment with an aggregate carrying amount of approximately HK\$285,000 (for the six months ended 30 June 2014: approximately HK\$787,000), with cash consideration of approximately HK\$263,000 (for the six months ended 30 June 2014: approximately HK\$301,000), resulting in a loss on disposal of approximately HK\$22,000 (for the six months ended 30 June 2014: approximately HK\$486,000). The Group also transferred construction in progress of approximately HK\$2,906,000 (for six months ended 30 June 2014: HK\$nil) to intangible assets.

The Group acquired buildings, construction in progress, plant and machinery, leasehold improvements, furniture, fixtures and equipment and motor vehicles of approximately HK\$nil, HK\$4,488,000, HK\$5,212,000, HK\$662,000, HK\$2,829,000 and HK\$1,703,000 respectively during the six months ended 30 June 2015 (for the six months ended 30 June 2014: approximately HK\$13,612,000, HK\$6,146,000, HK\$1,779,000, HK\$nil, HK\$1,445,000 and HK\$1,621,000 respectively).

### 12. INTANGIBLE ASSETS

During the current interim period, addition in intangible assets arising from service concession arrangement of approximately HK\$52,668,000 represent the conditional rights for 揚州首創環保能源有限公司 (Yangzhou Environmental Technology Limited\*) ("Yangzhou Environmental"), to operate under a service concession arrangement engaged in the treatment of kitchen waste. The intangible assets arising from service concession arrangement are amortised over the period which commence from the date when the kitchen waste plant is available for use to end of service concession period, using a straight-line method.

### 13. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

Amounts due from grantors for contract work represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment and waste-to-energy plant in the PRC on a build-operate-transfer ("BOT") basis, plus attributable profits on the services provided. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11. Revenue and costs relating to the operating phase of the contract are accounted for in accordance with HKAS 18.

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and 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.

During the operation phase of the respective service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in all service concession agreements. In addition, for some service concession arrangements, the Group has the right to charge on-grid electricity tariff from users after commencement of operation phase of the waste-to-energy plants.

\* For identification purposes only

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 13. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK *(continued)*

The Group recognised revenue from construction services of approximately HK\$146,821,000 (for the six months ended 30 June 2014: approximately HK\$108,744,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK\$23,183,000 (for the six months ended 30 June 2014: approximately HK\$5,061,000).

The Group also recognised the effective interest income on amounts due from grantors for contract work of approximately HK\$43,124,000 (for the six months ended 30 June 2014: approximately HK\$21,298,000) as revenue. The effective interest rates ranged from 3.6% to 13.6% during the six months ended 30 June 2015 (during the six months ended 30 June 2014: ranged from 3.6% to 13.6%).

During the current interim period, the Group recognised on-grid electricity tariff of approximately HK\$26,636,000 (for the six months ended 30 June 2014: HK\$nil) from its waste treatment and waste-to-energy plants.

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the Grantors at a specified level of serviceability at the end of the respective service concession periods. As at 30 June 2015, a provision of approximately HK\$1,000,000 (as at 31 December 2014: approximately HK\$1,000,000) (see Note 19(c)) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

### 14. INTEREST IN AN ASSOCIATE

As at 30 June 2015, the Group held 46% (2014: 46%) equity interest in 深圳粵能環保再生能源有限公司 (Shenzhen Yueneng Waste-to-Energy Ltd.\*) ("SZ Yueneng"). SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis. The share of results of an associate of approximately HK\$5,277,000 is recognised for the six months ended 30 June 2015 (for the six months ended 30 June 2014: approximately HK\$6,561,000).

### 15. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is advance payment to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute\*) ("Urban Construction Institute"), with aggregate carrying amount of approximately HK\$50,063,000, net of impairment loss (as at 31 December 2014: approximately HK\$50,063,000). The Group has submitted a dispute with Urban Construction Institute to an arbitration committee, 南昌仲裁委員會 (Nanchang Arbitration Committee\*), during the year ended 31 December 2012.

Subsequent to the first order issued by the Nanchang Arbitration Committee, the Nanchang Arbitration Committee further issued a verdict on 25 September 2014 which determined that most of the deposit paid to Urban Construction Institute for the construction of waste treatment and waste-to-energy plant has been utilised by Urban Construction Institute and around HK\$50,063,000 deposit can be refunded to the Group by means of transferring the construction contracts signed between Urban Construction Institute with two independent sub-contractors.

\* For identification purposes only

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 15. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS (continued)

On 7 January 2015, the Group has filed a litigation to 江西省南昌市中級人民法院 (Nanchang City Intermediate People's Court of Jiangxi Province\*) ("the Intermediate Court") to invalidate the ruling concluded by the Nanchang Arbitration Committee on 25 September 2014. On 30 January 2015, the Group has also lodged an appeal to the Nanchang Arbitration Committee and requested a cash refund for all the deposits of approximately HK\$161,875,000 (RMB129,500,000) paid to Urban Construction Institute and relevant interest loss of approximately HK\$53,906,000 (RMB43,125,000), and the appeal has been accepted by the Nanchang Arbitration Committee.

On 7 April 2015, the Intermediate Court has released a ruling in favour to the Group, invalidating the verdict made by the Nanchang Arbitration Committee on 25 September 2014. The Group is required to provide evidence to the Nanchang Arbitration Committee to support the validity of the claims.

As at 30 June 2015, the appeal was still at a preliminary stage and no final resolution has been released. The directors of the Group have not made further impairment on such deposits during the six months ended 30 June 2015, taking into account the legal opinion provided by an independent lawyer.

### 16. TRADE RECEIVABLES/DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

#### (a) Trade receivables

The Group allows an average credit period of 180 days to its trade customers.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	112,559	76,898
91 – 180 days	60,657	55,446
181 – 360 days	131,877	84,468
Over 360 days	–	844
	<b>305,093</b>	<b>217,656</b>

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limits by customer.

As at 30 June 2015, included in the Group's trade receivable balance is government subsidies provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately HK\$121,862,000 (as at 31 December 2014: approximately HK\$85,312,000), which are past due as at the reporting date for which the Company has not provided for impairment loss. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customer is a state-owned enterprise.

#### (b) Deposits, prepayments and other receivables

Deposits, prepayments and other receivables also includes (i) advances to suppliers of approximately HK\$19,071,000 (as at 31 December 2014: approximately HK\$40,640,000); (ii) deposit for acquisition of equity interests in a company with BOT project of approximately HK\$4,375,000 (as at 31 December 2014: approximately HK\$4,375,000) and (iii) deposits for bidding BOT projects of approximately HK\$6,500,000 (as at 31 December 2014: approximately HK\$6,500,000).

\* For identification purposes only



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 17. INVENTORIES

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Raw materials	8,191	11,118
Work-in-progress	828	262
Finished goods	15,154	14,914
	<b>24,173</b>	<b>26,294</b>

### 18. AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2014, an associate declared a dividend to the Group for RMB7,272,000 (approximately HK\$9,090,000) and the amount remained receivable as at the period end. The interest rate is PRC benchmark rate plus 20% per annum.

During the period ended 30 June 2015, an associate entered into a supplementary agreement with the Group to extend the advance of RMB11,100,000 (approximately HK\$13,875,000) for 12 months to June 2016. The interest rate is adjusted from 18% per annum to PRC benchmark rate plus 20% per annum.

### 19. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS/PROVISIONS

#### (a) Trade payables

The following is an analysis of trade payables by age, presented based on the invoice date at the end of the reporting period:

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
0 – 90 days	33,335	91,823
91 – 180 days	1,831	171
181 – 360 days	18,646	18,697
Over 360 days	21,737	21,606
	<b>75,549</b>	<b>132,297</b>

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 19. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS/PROVISIONS (continued)

#### (b) Other payables and accruals

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Amount due to related parties of vendors of 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) ("Huizhou Guanghui") (Note)	30,813	119,979
Accrued interest	22,126	19,582
Accrued professional fee	1,628	3,988
Business tax payable	1,591	1,563
Accrued payroll	393	1,884
Accrued purchases	135,571	138,985
Others	28,695	36,853
	<b>220,817</b>	<b>322,834</b>

Note: Amount represented the payable to the related parties of Richway Investment Management Limited and Huizhou Energy(s) Pte. Limited, vendors of Huizhou Guanghui.

#### (c) Provisions

The amounts mainly represented expected loss relating to service concession arrangements of 北京市董村分類綜合處理廠 (Beijing Dongcun Sorting Comprehensive Treatment Plant\*) ("Beijing Plant") of approximately HK\$8,038,000 (as at 31 December 2014: approximately HK\$8,038,000) and provision for maintenance of approximately HK\$1,000,000 (as at 31 December 2014: approximately HK\$1,000,000).

### 20. BORROWINGS

During the current interim period, the Group obtained the following new borrowings:

- (i) During the year ended 31 December 2014, the Group was granted a bank facility by the Industrial and Commercial Bank of China for approximately HK\$125,000,000. A total of approximately HK\$90,431,000 was drawn up to 31 December 2014. During the interim period, approximately HK\$14,139,000 was further drawn from the facility. The balance was pledged with the Group's operation right of Beijing Plant. It carries an interest rate at PRC benchmark rate per annum.
- (ii) In May 2015, the Agricultural Bank of China granted a bank facility to the Group for approximately HK\$375,000,000. Approximately HK\$362,843,000 has been drawn up to the period end date. The balance is secured by a corporate guarantee from Beijing Capital Group Co., Ltd. and carries a fixed rate at 3.90% per annum.

\* For identification purposes only

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 20. BORROWINGS (continued)

- (iii) During the period, Huaian Rural Commercial Bank has further granted a total of approximately HK\$31,250,000 to the Group. With the facilities previously granted by Huaian Rural Commercial Bank to Group, the total bank facilities available to the Group was approximately HK\$111,250,000 as at 30 June 2015. Approximately HK\$96,010,000 was drawn as at period end and the balance was secured by the prepaid lease payment of the Group located in Jiangsu Huaian. The loan carries an interest rate at PRC benchmark rate per annum.
- (iv) In March 2015, Beijing Capital (HK) Limited ("Beijing Capital (HK)") has granted a facility of approximately HK\$1,625,000,000 to the Group and no drawings have been made from this facility as at 30 June 2015.

During the current interim period, the Group has repayment of the borrowings of approximately HK\$185,200,000 (during the six months ended 30 June 2014: approximately HK\$128,688,000).

### 21. CONVERTIBLE BONDS

Same as disclosed in the Company's 2014 annual report relating to the convertible bonds, except for the following.

The movement of the liability component of the convertible bonds for the period are set out as below:

	<b>Liability component</b> <i>HK\$'000</i>
At 31 December 2014 (audited)	63,674
Effective interest charged to profit or loss (Note 6)	6,750
At 30 June 2015 (unaudited)	70,424

At 30 June 2015 and 31 December 2014, Convertible Bonds with a principal amount of RMB61,512,000 (approximately HK\$78,000,000) remained outstanding with Beijing Capital (HK). On 10 August 2015, Beijing Capital (HK) has converted all the outstanding Convertible Bonds into ordinary shares of the Company (Note 29).

### 22. WARRANTS

The warrants have been expired on 14 April 2015 and no share has been subscribed through the exercise of warrants. A gain of approximately HK\$79,000 arising from the change in fair value was charged in the statement of profit or loss during six months period ended 30 June 2015 (during the six months period ended 30 June 2014: loss of approximately HK\$33,298,000).

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 23. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2014, 30 June 2014, 1 January 2015	6,000,000,000	600,000
Increase on 27 May 2015	9,000,000,000	900,000
At 30 June 2015	<u>15,000,000,000</u>	<u>1,500,000</u>
Issued and fully paid		
At 1 January 2014 and 30 June 2014	4,655,642,596	465,564
Issue of shares under redemption of convertible bonds	75,862,068	7,586
At 31 December 2014, 1 January 2015 and 30 June 2015	<u>4,731,504,664</u>	<u>473,150</u>

### 24. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors and employees of the Group. The share options were granted by the Company on 18 August 2008 and 6 September 2010 respectively. The number of share options outstanding and exercisable held by the Group's directors and employees as at 1 January 2015 and 30 June 2015 are 2,703,288.

No expense was recognised during the six months ended 30 June 2015 and 2014 in relation to the share options granted by the Company.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 25. CAPITAL COMMITMENTS

	30 June 2015 HK\$'000 (unaudited)	31 December 2014 HK\$'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of construction work under service concession arrangements	145,341	182,515

### 26. OTHER COMMITMENTS

- (a) On 18 October 2011, a wholly owned subsidiary of the Company and Guangdong Environmental Engineering & Equipment General Corporation received a notice of successful tender from Guangzhou City Management Committee, a government authority, to set up a project company with a registered capital of not less than RMB97,870,000 (approximately HK\$122,338,000) which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years. 30% of the registered capital of the project company will be contributed by the wholly owned subsidiary of the Company. The tender agreement is effective at 30 June 2015. As at 30 June 2015, the capital of the project company has yet to be registered.
- (b) At 30 June 2015, the Group is bounded by agreement to acquire the remaining equity interest at 都匀市科林環保有限公司 (Duyun Kelin Environmental Company Limited\*) and 雍安縣科林環保有限公司 (Weng'an Kelin Environmental Company Limited\*) from Beijing Keline Haohua Environment Technology Development Company Limited with preliminary consideration of approximately HK\$3,399,000 (as at 31 December 2014: approximately HK\$3,399,000) and approximately HK\$5,246,000 (as at 31 December 2014: approximately HK\$5,246,000) respectively. The date of transfer has not yet been finalised.

### 27. CONTINGENT LIABILITIES

At 30 June 2015, the Group provided guarantees of RMB31,243,000 (approximately HK\$39,054,000) (as at 31 December 2014: RMB9,513,000 (approximately HK\$11,891,000)) to two banks (as at 31 December 2014: one bank) in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

\* For identification purposes only

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 28. RELATED PARTY TRANSACTIONS

During the period, in addition to the balances disclosed in Notes 18, 20 and 21, the Group entered into the following significant transactions with related parties:

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

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). A substantial shareholder with significant influence to the Company, Beijing Capital (HK), is a company incorporated in Hong Kong with limited liabilities, is ultimately controlled by the PRC government. The ultimate parent of Beijing Capital (HK) is Beijing Capital Group Co., Ltd, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

- (a) Transactions and balances with Beijing Capital (HK):

Name of the related party	Nature of the transactions	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Entity with significant influence over the Group			
Beijing Capital (HK)	Interest expenses (Note)	11,379	6,511
	Rental expenses (Note)	720	620

Note: The interest and rentals were charged in accordance with the relevant agreements.

As at 30 June 2015, Beijing Capital (HK) has granted the Group two three-year term facilities of RMB300,000,000 (approximately HK\$375,000,000) and RMB1,300,000,000 (approximately HK\$1,625,000,000), totalling RMB1,600,000,000 (approximately HK\$2,000,000,000). The facilities will be expired on November 2016 and March 2018 respectively. The facility with RMB300,000,000 limit has been fully drawn whereas no drawings have been made from the RMB1,300,000,000 facility as at 30 June 2015.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 28. RELATED PARTY TRANSACTIONS (continued)

- (i) The transactions and balances with government-related entities are listed below: (continued)
- (b) Transactions and balances with other government-related entities:

During the six months ended 30 June 2015, the Group recognised revenue from the construction services and operating services of approximately HK\$146,821,000 (for the six months ended 30 June 2014: approximately HK\$108,744,000) and approximately HK\$23,183,000 (for the six months ended 30 June 2014: approximately HK\$5,061,000) respectively under service concession arrangements with the local governments in PRC (see Note 13).

As at 30 June 2015 and 31 December 2014, the deposits paid for construction of infrastructure in service concession arrangements with the government related entity, Urban Construction Institute, is disclosed in the Note 15.

As at 30 June 2015, trade receivable from government subsidiaries in relation to the licenses and franchises for the treatment of certain waste electric and electronic products are approximately HK\$272,996,000 (as at 31 December 2014: approximately HK\$208,038,000).

The Group maintained most of its bank deposits in government-related financial institutions associated with the respective interest income received while banking facility of the Group obtained is also from a government-related financial institution.

Apart from the transactions with related parties 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.

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 28. RELATED PARTY TRANSACTIONS (continued)

- (ii) The transactions and balances with non government-related entities which are related to the Group are listed below:

Name of the related party	Nature of the transactions	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Associate: SZ Yueneng	Interest income (Note)	738	501

Note: The interest was charged in accordance with the relevant loan agreement.

Details of the outstanding balances with SZ Yueneng is set out in Note 18.

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

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Short-term benefits	5,108	5,679
Post-employment benefits	–	–
	5,108	5,679



## Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 June 2015

### 29. EVENTS AFTER THE END OF REPORTING PERIOD

#### Rights issue

On 3 July 2015, the Company issued 4,731,504,664 ordinary shares of the Company (the "Rights Shares") on the basis of one Rights Share for every ordinary share of the Company held on 8 June 2015 at a subscription price of HK\$0.45 per share (the "Rights Issue"). The net proceeds from the Rights Issue after deducting the relevant expense amounted to approximately HK\$2,114,346,000.

During the period ended 30 June 2015, the proceeds from Rights Issue in progress of approximately HK\$6,104,319,000 were received, which is refundable and classified as other payable as at 30 June 2015. Subsequent to the period ended 30 June 2015, the Rights Issue become unconditional in July 2015.

As a result of the Rights Issue, adjustments were made to (i) the exercise price and number of shares to be allotted and issued under the outstanding share options; and (ii) the conversion price of the Convertible Bonds.

As at 3 July 2015, the exercise price and number of shares to be allotted and issued upon exercise of the subscription rights attaching to the outstanding share options would be adjusted as follows:

Share options	Date of grant of the share options	Exercise period	Exercise price per share before adjustment HK\$	Adjusted exercise price per share HK\$	Number of share options before adjustment	Adjusted number of share options
Employees in aggregate	6 September 2010	6 September 2010 to 5 September 2015	0.4448	0.3950	2,703,288	3,044,480

As at 3 July 2015, the conversion price of the Convertible Bonds would be adjusted from RMB0.229 per share to RMB0.212 per share as a result of the Rights Issue.

#### Conversion of the Convertible Bonds

On 10 August 2015, the bondholder of the RMB61,512,000 Convertible Bonds, Beijing Capital (HK), converted the entire amount of the Convertible Bonds into 290,148,962 ordinary shares of the Company.

# DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 30 June 2015, none of the Directors, chief executives of the Company or their associates had any interests or 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”)) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

As at 30 June 2015, the following shareholders (other than the Directors or chief executive of the Company whose interests and short positions in the shares or underlying shares of the Company as disclosed above) had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	2,587,883,803(L)	54.69%
Beijing Capital Company Limited	Interest of a controlled corporation (Note 1)	2,611,093,803(L)	55.19%
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation (Note 1)	7,614,267,272(L)	160.93%
BCG Chinastar International Investment Limited	Beneficial owner (Note 2)	5,003,173,469(L)	105.74%

(L) denotes a long position

Notes:

- These Shares represent 2,318,918,286 Shares and 268,965,517 underlying Shares which may be issuable upon conversion of all the outstanding amounts of the convertible bonds held by Beijing Capital (Hong Kong) Limited, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd.; 23,210,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.; and 5,003,173,469 underlying Shares which may be issuable under an underwriting agreement held by BCG Chinastar International Investment Limited, a wholly owned subsidiary of Beijing Capital Group Co., Ltd.. As such, for the purposes of the SFO, Beijing Capital Co., Ltd. was deemed to have interest in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited and BC Water Investments Co., Ltd., and Beijing Capital Group Co., Ltd. was deemed to have interest in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited, BC Water Investments Co., Ltd. and BCG Chinastar International Investment Limited.
- These Shares represents 5,003,173,469 underlying Shares which may be issuable under an underwriting agreement in which BCG Chinastar International Investment Limited was the underwriter for a rights issue.

Save as aforesaid, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 30 June 2015 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DISCLOSURE of Interests and Other Information (CONTINUED)

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquires of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2015.

### CORPORATE GOVERNANCE PRACTICES

The Board believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices.

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules during the period under review.

### CHANGES IN INFORMATION OF DIRECTORS

Below are the changes of directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2014 annual report:

Name of Director	Details of Changes
<b>Executive Directors:</b>	
Mr. Liu Xiaoguang	Resigned as the chairman of the board of directors and re-designated as a non-executive director of Beijing Capital Land Ltd. on 10 August 2015

### AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors, namely, Dr. Chan Yee Wah, Eva, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah, Eva has been appointed as the chairman of the audit committee. The audit committee has reviewed the accounting principles and practices adopted by the Group and has also discussed the auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2015 with the management.

In addition, the Group's external auditors performed an independent review of the interim financial information for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The auditors based on their review, concluded that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34 "Interim Financial Reporting".



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



The FSC™ logo identifies products which contain wood and virgin fibre from responsible sources certified in accordance with the rules of the Forest Stewardship Council®. FSC™ 標誌表示產品所含的木料及原纖維組源自負責任的森林資源，該等森林已獲得 Forest Stewardship Council® 的規例認證。