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
中期報告
2017

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Lishun *(Chairman)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Liu Yongzheng
Ms. Zhang Meng
Mr. Cheng Jialin *(appointed on 1 July 2017)*

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. Wu Lishun *(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. Wu Lishun

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Wu Lishun
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

Ernst & Young
Certified Public Accountants

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

STOCK CODE

03989

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Business Review and Prospects

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Overview

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

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

Waste Treatment and Waste-to-energy Business

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

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

Administrative Expenses

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

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

Finance Costs

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

Financial Position

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

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

Financial Resources

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

Borrowings

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

Foreign Exchange Exposure

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

Charges on Assets

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

Commitment Arrangements

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

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

Contingent Liabilities

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

Employee Information

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

安永

TO THE MEMBERS OF
CAPITAL ENVIRONMENT HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the accompanying interim financial information of Capital Environment Holdings Limited (the "Company") and its subsidiaries set out on pages 9 to 46, which comprises the interim condensed consolidated statement of financial position as at 30 June 2017, the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six months then ended, and 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 ("HKICPA").

The directors of the Company are responsible for the preparation and presentation of the interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on the 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 accompanying interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Certified Public Accountants
Hong Kong

28 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	NOTES	For the six months ended 30 June 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited) (restated)
Revenue	4	**1,649,299**	1,294,916
Cost of sales		**(1,146,241)**	(901,989)
Gross profit		**503,058**	392,927
Other income and gains	4	**8,783**	11,388
Administrative expenses		**(265,543)**	(228,485)
Other expenses		**(8,533)**	(7,572)
Finance costs	6	**(93,075)**	(86,759)
Share of profits of joint ventures		**20,831**	24,945
Share of profits of associates		**1,579**	1,700
Profit before tax	5	**167,100**	108,144
Income tax	7	**(29,785)**	(30,822)
Profit for the period		**137,315**	77,322
Attributable to:			
Owners of the parent		**75,868**	28,358
Non-controlling interests		**61,447**	48,964
		137,315	77,322
Earnings per share attributable to ordinary equity holders of the parent			
Basic	8	**RMB0.53 cent**	RMB0.20 cent
Diluted	8	**RMB0.53 cent**	RMB0.20 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	NOTES	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited) (restated)
Non-current assets			
Property, plant and equipment		**1,681,332**	1,686,605
Prepaid land lease payments		**73,459**	74,563
Goodwill	10	**2,217,910**	2,179,475
Other intangible assets	11	**1,736,280**	1,614,959
Investments in joint ventures	12	**487,459**	472,958
Investments in associates	14	**86,856**	85,277
Available-for-sale investments	15	**90,328**	80,131
Deferred tax assets		**2,099**	11,550
Concession financial assets	16	**1,731,544**	1,492,503
Prepayments, deposits and other receivables	17	**96,764**	106,054
Amounts due from associates	20	**6,200**	8,600
Time deposits		**10,000**	10,000
Total non-current assets		**8,220,231**	7,822,675
Current assets			
Inventories	18	**26,533**	29,432
Concession financial assets	16	**109,216**	63,507
Assets classified as held for sale		**13,010**	10,985
Trade receivables	19	**737,419**	644,401
Prepayments, deposits and other receivables	17	**205,938**	133,421
Prepaid land lease payments		**1,884**	1,882
Amounts due from associates	20	**42,492**	39,141
Tax recoverable		**18,637**	2,523
Pledged deposits		**4,000**	9,000
Time deposits		**–**	5,000
Cash and cash equivalents		**498,431**	755,954
Total current assets		**1,657,560**	1,695,246
Current liabilities			
Trade payables	21	**232,919**	236,827
Other payables and accruals	22	**427,670**	452,778
Deferred income		**1,400**	1,400
Derivative financial instruments		**4,806**	137
Interest-bearing bank and other borrowings	23	**3,587,724**	458,322
Amounts due to the immediate shareholders	24	**53,324**	149,776
Amount due to a related party		**1,198**	–
Tax payable		**37,340**	44,278
Provisions	25	**–**	800
Total current liabilities		**4,346,381**	1,344,318
Net current (liabilities)/assets		**(2,688,821)**	350,928
Total assets less current liabilities		**5,531,410**	8,173,603

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	NOTES	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited) (restated)
Non-current liabilities			
Deferred income		44,470	40,870
Interest-bearing bank and other borrowings	23	432,580	3,257,333
Derivative financial instruments		99	200
Deferred tax liabilities		452,044	442,101
Provisions	25	139,292	141,114
Total non-current liabilities		1,068,485	3,881,618
Net assets		4,462,925	4,291,985
Equity			
Equity attributable to owners of the parent			
Issued capital	26	1,188,219	1,188,219
Reserves		2,022,393	1,913,658
		3,210,612	3,101,877
Non-controlling interests		1,252,313	1,190,108
Total equity		4,462,925	4,291,985

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent										
	Issued capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Hedging reserve *RMB'000*	Available-for-sale investments revaluation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016 (restated)	797,340	3,112,910	–	981,706	(1,704)	4,803	(197,627)	(1,496,924)	3,200,504	1,164,001	4,364,505
Profit for the period (restated)	–	–	–	–	–	–	–	28,358	28,358	48,964	77,322
Other comprehensive income for the period (restated):											
Exchange differences related to foreign operations	–	–	–	–	–	–	58,202	–	58,202	55,920	114,122
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(27,049)	–	–	(27,049)	–	(27,049)
Reclassification adjustment for cumulative loss upon disposal of available-for-sale investments	–	–	–	–	–	(117)	–	–	(117)	–	(117)
Change in fair value of cash flows hedge	–	–	–	–	(66)	–	–	–	(66)	(64)	(130)
Total comprehensive income for the period (restated)	–	–	–	–	(66)	(27,166)	58,202	28,358	59,328	104,820	164,148
Capital contribution from a non-controlling shareholder of a subsidiary (restated)	–	–	–	–	–	–	–	–	–	4,000	4,000
Acquisition of subsidiaries (restated)	–	–	–	–	–	–	–	–	–	19,212	19,212
Acquisition of non-controlling interests (restated)	–	–	–	–	–	–	–	–	–	(510)	(510)
Interim 2016 dividend declared by BCG NZ (restated)	–	–	–	(136,205)	–	–	–	–	(136,205)	(130,862)	(267,067)
At 30 June 2016 (unaudited) (restated)	797,340	3,112,910	–	845,501	(1,770)	(22,363)	(139,425)	(1,468,566)	3,123,627	1,160,661	4,284,288

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2017

	Attributable to owners of the parent										
	Issued capital *RMB'000* (Note 26)	Share premium *RMB'000*	Capital reserve *RMB'000*	Merger reserve *RMB'000*	Hedging reserve *RMB'000*	Available-for-sale investments revaluation reserve *RMB'000*	Exchange fluctuation reserve *RMB'000*	(Accumulated losses)/ Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017 (restated)	1,188,219	3,972,845	-	(481,084)	(1,683)	(18,963)	(104,381)	(1,453,076)	3,101,877	1,190,108	4,291,985
Profit for the period	-	-	-	-	-	-	-	75,868	75,868	61,447	137,315
Other comprehensive income for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	14,846	-	14,846	14,263	29,109
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	10,183	-	-	10,183	-	10,183
Change in fair value of cash flows hedge	-	-	-	-	(1,702)	-	-	-	(1,702)	(1,635)	(3,337)
Total comprehensive income for the period	-	-	-	-	(1,702)	10,183	14,846	75,868	99,195	74,075	173,270
Capital contribution from non-controlling shareholders of subsidiaries	-	-	-	-	-	-	-	-	-	16,300	16,300
Acquisition of non-controlling interests	-	-	9,540	-	-	-	-	-	9,540	(28,170)	(18,630)
At 30 June 2017 (unaudited)	1,188,219	3,972,845*	9,540*	(481,084)*	(3,385)*	(8,780)*	(89,535)*	(1,377,208)*	3,210,612	1,252,313	4,462,925

* These reserve accounts comprise the consolidated reserves of RMB2,022,393,000 (31 December 2016: RMB1,913,658,000) in the interim condensed consolidated statement of financial position.

Merger reserve represents the difference between the fair value of the consideration paid to Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), an immediate shareholder of the Company and BCG Chinastar International Investment Limited ("BCG Chinastar"), a wholly-owned subsidiary of the Company's ultimate controlling shareholder, Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), for the acquisition of 51% interest in BCG NZ Investment Holding Limited ("BCG NZ") which are under common control of Beijing Capital Group, and the carrying amounts of the net assets of BCG NZ acquired.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	NOTES	For the six months ended 30 June 2017 *RMB'000* (unaudited)	 2016 *RMB'000* (unaudited) (restated)
Cash flows from operating activities			
Profit before tax	5	**167,100**	108,144
Adjustments for:			
Depreciation and amortisation	5	**135,789**	121,929
Net (gain)/loss on disposal of items of property, plant and equipment	5	**(315)**	721
Impairment of prepayment, deposit and other receivables	5	**2,358**	5,368
Impairment of trade receivables	5	**2,311**	1,245
Share of profits of joint ventures		**(20,831)**	(24,945)
Share of profits of associates		**(1,579)**	(1,700)
Finance income		**(49,728)**	(51,542)
Finance costs		**93,075**	86,759
Loss on disposal of available-for-sale investments		**–**	100
		328,180	246,079
Decrease in inventories		**2,899**	9,645
Increase in concession financial assets and intangible assets in relation to service concession arrangements		**(279,411)**	(204,595)
Increase in trade receivables		**(89,911)**	(73,816)
Increase in prepayments, deposits and other receivables		**(61,407)**	(24,396)
Increase in assets held for sale		**(2,025)**	(1,325)
(Decrease)/increase in trade payables		**(6,482)**	36,042
Decrease in other payables and accruals		**(36,287)**	(2,885)
Increase/(decrease) in deferred income		**5,000**	(500)
Cash used in operations		**(139,444)**	(15,751)
Interest received		**3,461**	6,342
Income tax paid		**(40,456)**	(43,050)
Net cash flows used in operating activities		**(176,439)**	(52,459)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
		(restated)
Net cash flows used in operating activities	**(176,439)**	(52,459)
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(171,349)**	(143,057)
Additions to other intangible assets	**(158)**	–
Proceeds from disposal of items of property, plant and equipment	**4,474**	3,937
Deposits paid to potential acquisitions	**(7,000)**	(15,754)
Proceeds received in advance for the disposal of a subsidiary	**–**	36,902
Repayment of loan from a non-controlling interest	**–**	10,544
Advances of loans to associates	**–**	(6,104)
Acquisition of subsidiaries	**–**	(7,282)
Acquisition of an associate	**–**	(237)
Purchases of available-for-sale investments	**–**	(2,860)
Acquisition of non-controlling interests of a subsidiary	**(8,799)**	(510)
Proceeds on disposal of available-for-sale investments	**–**	1,592
Dividend received from a joint venture	**14,600**	13,952
Decrease in pledged bank deposits and time deposits	**10,000**	–
Net cash flows used in investing activities	**(158,232)**	(108,877)
Cash flows from financing activities		
Interest paid	**(92,525)**	(148,101)
Repayment of bank loans	**(332,118)**	(354,410)
New bank loans	**586,530**	426,000
Dividends paid by BCG NZ	**(97,082)**	(270,175)
Capital contribution from non-controlling shareholders of subsidiaries	**16,300**	4,000
Net cash flows generated from/(used in) financing activities	**81,105**	(342,686)
Net decrease in cash and cash equivalents	**(253,566)**	(504,022)
Effect of foreign exchange rate changes, net	**(3,957)**	(1,822)
Cash and cash equivalents at beginning of the period	**755,954**	1,441,309
Cash and cash equivalents at end of the period	**498,431**	935,465

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

Basis of preparation

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

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

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

The directors of the Company decided to change the presentation currency of the Group's consolidated financial statements from Hong Kong Dollars ("HK$") to RMB in order to enable the shareholders of the Company to have a more accurate picture of the Group's financial performance. The change of presentation currency has taken effect from 1 January 2017. The first set of consolidated financial statements of the Group with RMB as its presentation currency was the annual results of the Group for the year ended 31 December 2016.

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

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

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

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

Effects of the restatement for the change in presentation currency and the business combination under common control *(Continued)*

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

Effects of the restatement for the change in presentation currency and the business combination under common control *(Continued)*

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

	Six months ended 30 June 2016 as previously reported *HK$'000*	Six months ended 30 June 2016 as restated for the change in presentation currency *RMB'000*	Adjustment for the business combination under common control *RMB'000*	Six months ended 30 June 2016 as restated *RMB'000*
Net cash (used in)/generated from operating activities	(274,202)	(230,744)	178,285	(52,459)
Net cash used in investing activities	(47,270)	(39,778)	(69,099)	(108,877)
Net cash generated from/(used in) financing activities	63,641	53,555	(396,241)	(342,686)
Net decrease in cash and cash equivalents	(257,831)	(216,967)	(287,055)	(504,022)
Effect of foreign exchange rate changes	(20,873)	(1,101)	(721)	(1,822)
Cash and cash equivalents at beginning of the period	1,207,642	1,012,004	429,305	1,441,309
Cash and cash equivalents at end of the period	928,938	793,936	141,529	935,465

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

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

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES *(Continued)*

New standards, interpretations and amendments adopted by the Group

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

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

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

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

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

Annual Improvements Cycle: 2014-2016

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Six months ended 30 June 2016 (restated)	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in New Zealand *RMB'000*	Total *RMB'000*
Segment revenue:			
Revenue from external customers	304,205	990,711	1,294,916
Revenue from operations			1,294,916
Segment results	(21,130)	98,452	77,322
Other segment information:			
Share of profits of joint ventures	–	24,945	24,945
Share of profits of associates	1,700	–	1,700
Impairment losses recognised in the statement of profit or loss	5,368	1,245	6,613
Depreciation and amortisation	9,032	112,897	121,929
Capital expenditure (Note)	21,008	118,984	139,992
As at 31 December 2016 (restated)			
Segment assets	3,535,850	5,982,071	9,517,921
Segment liabilities	1,223,947	4,001,989	5,225,936

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

Information about a major customer

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

5. PROFIT BEFORE TAX

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

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

6. FINANCE COSTS

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

7. INCOME TAX

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

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

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

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

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

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

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

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

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

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

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

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

9. DIVIDENDS PROPOSED

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

10. GOODWILL

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(restated)
At 1 January	**2,179,475**	1,947,701
Additions	**984**	–
Acquisition of a subsidiary	**–**	54,022
Impairment provided during the period/year	**–**	(11,572)
Exchange realignment	**37,451**	189,324
Net carrying amount at the period/year end	**2,217,910**	2,179,475

11. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2017, additions in intangible assets arising from service concession arrangements of RMB123,612,000 represent:

(1) the rights for 浙江卓尚環保能源有限公司 (Zhejiang Zhuoshang Environmental Energy Investment Limited) ("Zhejiang Zhuoshang"), 寧波首創廚餘垃圾處理有限公司 (Ningbo Capital Environment Kitchen Waste Treatment Company Limited), 揚州首創環保能源有限公司 (Yangzhou Capital Environmental Energy Investment Limited) and 晉中市首創環和環保能源有限公司 (Jinzhong Capital Environment Resources Limited), amounting to RMB52,225,000, RMB31,028,000, RMB20,099,000 and RMB3,047,000, respectively, to operate under service concession arrangements which are engaged in the treatment of kitchen waste;

(2) the rights for 高安意高再生資源熱力發電有限公司 (Gaoan Eacoon Renewable Resources for Thermal Power Generation Co., Ltd.) and 江西瑞金愛思環保電力有限公司 (Jiangxi Ruijin Ai Si Environmental Electric Limited) ("Jiangxi Ruijin") amounting to RMB15,588,000 and RMB1,625,000, respectively, to operate under service concession arrangements which are engaged in waste management and waste-to-energy business.

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

12. INVESTMENTS IN JOINT VENTURES

Particulars of the Group's joint ventures as at 30 June 2017 and 31 December 2016 are as follows:

Name	Particulars of issued shares held	Place and date of incorporation	Percentage of ownership interest	Principal activities
Midwest Disposals Limited ("Midwest Disposals")	NZD1,300,000	New Zealand 18 August 2000	50%	Waste management
Pikes Point Transfer Station Limited ("Pikes Point Transfer Station")	NZD2,685,000	New Zealand 24 March 1993	50%	Waste transfer station
Transwaste Canterbury Limited ("Trans Waste")	NZD16,000,000	New Zealand 31 March 1999	50%	Waste collection and landfill
Daniels Sharp Smart Limited	NZD200	New Zealand 4 November 2002	50%	Component cleaning

The share of results of the four joint ventures of RMB20,831,000 is recognised for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB24,945,000).

The Group's receivables from and payables to joint ventures are disclosed in Notes 19 and 21 to the interim condensed consolidated financial statements.

13. INVESTMENT IN A JOINT OPERATION

Name	Place of incorporation	Ownership interest attributable to the Group as		Principal activity
		30 June 2017	31 December 2016	
Waste Disposal Services	New Zealand	**50%**	50%	Waste collection and landfill

The Group has a 50% interest in Waste Disposal Services, an unincorporated joint operation with the Auckland City Council. According to the joint operation agreement, the Group accounts for its joint operation by including its share of revenues, expenses, assets and liabilities of Waste Disposal Services in its own financial statements. Waste Disposal Services operates a landfill and refuse station in South Auckland.

The Group's share of material assets and liabilities of Waste Disposal Services is as follows:

	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited)
Current assets	**19,177**	19,329
Non-current assets	**87,733**	91,899
Total assets	**106,910**	111,228
Current liabilities	**(3,135)**	(2,941)
Non-current liabilities	**(32,522)**	(37,391)
Total liabilities	**(35,657)**	(40,332)
Net assets shared by the Group	**71,253**	70,896

	For the six months ended 30 June	
	2017 *RMB'000* (unaudited)	2016 *RMB'000* (unaudited) (restated)
Share of the joint operation's revenue	**20,234**	14,530
Share of the joint operation's expenses	**(13,781)**	(11,541)
Share of the joint operation's profit before tax	**6,453**	2,989
Cash received	**7,300**	–

The Group's receivables from and payables to the other operator of Waste Disposal Services are disclosed in Notes 19 and 21 to the interim condensed consolidated financial statements.

14. INVESTMENTS IN ASSOCIATES

Particulars of the Group's associates as at 30 June 2017 and 31 December 2016 are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest	Principal activities
深圳粵能環保再生能源有限公司 Shenzhen Yueneng Environmental Recycling Energy Limited ("SZ Yueneng")	RMB75,000,000	PRC/Mainland China	46%	Waste treatment and waste-to-energy plant in Shenzhen, the PRC on a Build-Operate-Transfer ("BOT basis")
常州鍋爐有限公司 Changzhou Boiler Company Limited ("Changzhou Boiler")	RMB9,232,686	PRC/Mainland China	24%	Trading and manufacturing of boiler products
北京藍潔利德環境科技有限公司 Beijing Lanjie Lide Environment Holding Limited ("Beijing Lanjie")	RMB1,760,000	PRC/Mainland China	29%	Provision of waste transportation service

The share of results of the three associates of RMB1,579,000 is recognised for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB1,700,000).

The Group's receivables due from associates are disclosed in Note 20 to the interim condensed consolidated financial statements.

15. AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited)
Listed securities, at fair value		
– equity securities listed in HK	**74,095**	63,898
Unlisted equity investments, at cost		
– 北京市一清百瑪士能源有限公司 (Beijing Yiqing Biomax Green Energy Park Company Limited) ("Beijing Yiqing") (Note)	**16,233**	16,233
	90,328	80,131

Note: The investment in Beijing Yiqing is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

16. CONCESSION FINANCIAL ASSETS

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

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

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

The Group recognised revenue from construction services of RMB260,161,000 (six months ended 30 June 2016: RMB99,208,000) by reference to the stage of completion of the construction work and revenue from operation services of RMB49,722,000 (six months ended 30 June 2016: RMB16,183,000) for all the service concession arrangements of the Group (see Note 4). The gross profits recognised from construction services were amounted to RMB29,525,000 (six months ended 30 June 2016: RMB5,219,000) and the gross profits recognised from operation services were amounted to RMB27,421,000 (six months ended 30 June 2016: RMB3,125,000) for all the service concession arrangements of the Group.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	NOTES	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Advances to suppliers		57,923	47,396
Deposits for acquisitions	(a)	23,000	18,831
Value added tax receivables		50,716	31,481
Loans receivable	(b)	37,317	29,862
Prepayments for emission units		16,850	11,644
Advances payment to 城市建設研究院 (Urban Construction Design & Research Institute) ("Urban Construction Institute")	(c)	40,050	40,050
Tender deposit		34,294	15,484
Amount due from Beijing Yiqing		29,498	27,531
Others		13,054	17,196
		302,702	239,475
Analysed for reporting purposes as:			
Current assets		205,938	133,421
Non-current assets		96,764	106,054
		302,702	239,475

(a) Deposits for acquisitions

As at 30 June 2017, deposits of RMB23,000,000 (31 December 2016: RMB18,831,000) were paid for four potential acquisitions of equity interests in companies with BOT projects.

(b) Loans receivable

Loans receivable represent (i) amount of RMB29,317,000 (31 December 2016: RMB29,862,000) due from a related party of a former shareholder of Zhejiang Zhuoshang, which was acquired by the Group on 1 December 2015. According to the payment schedule, RMB6,600,000 is expected to be repaid in 2017 and therefore classified as current assets. The loan bears interest at PRC Benchmark Lending Rate per annum; (ii) amount of RMB8,000,000 (31 December 2016: nil) due from a non-controlling shareholder of a subsidiary of the Group with a maturity date of 27 April 2018. The loan bears interest at 5.7% per annum.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(c) Advances payment to Urban Construction Design & Research Institute

The amount represents an advance payment to a third party supplier, Urban Construction Institute, with the carrying amount of RMB40,050,000 (31 December 2016: RMB40,050,000), net of impairment loss of RMB89,600,000 (31 December 2016: RMB89,600,000).

There were disputes in relation to the advance payment between the Group and Urban Construction Institute. The Group submitted the first dispute with Urban Construction Institute to 南昌仲裁委員會 (Nanchang Arbitration Committee) during the year ended 31 December 2012 and various appeals were made between the Group and Urban Construction Institute to the Nanchang Arbitration Committee and different law courts in the PRC.

On 7 March 2016, a court order requiring the Group to attend a hearing was issued by 江西省高級人民法院 (High Court of Jiangxi Province) (the "High Court") and the court requested the Group and Urban Construction Institute to provide supporting documents for the appeal.

As at 30 June 2017, the final resolution from the High Court has not yet been released and the amount of deposits refundable from Urban Construction Institute is yet to be finalised. The Group has not made further impairment on such deposits during the six months ended 30 June 2017, after taking into account the legal opinion provided by an independent lawyer.

18. INVENTORIES

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

19. TRADE RECEIVABLES

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Trade receivables	742,113	652,630
Impairment	(4,694)	(8,229)
	737,419	644,401

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

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

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

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

Included in the impairment is a provision of RMB1,004,000 (31 December 2016: RMB6,686,000) for individually impaired trade receivable with a carrying amount before provision of RMB1,363,000 (31 December 2016: RMB7,045,000). The impairment is considered irrecoverable by management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after period end, the ongoing relationship with the Group and the ageing of these receivables. The Group does not hold any collateral over these balances. Trade receivables are non-interest-bearing.

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

20. AMOUNTS DUE FROM ASSOCIATES

During the year ended 31 December 2015, SZ Yueneng entered into two agreements with the Group for loans amounting to RMB35,967,000. In 2016, SZ Yueneng repaid RMB4,600,000 to the Group, and declared a dividend amounting to RMB7,775,000 to the Group. The dividend was not paid by SZ Yueneng, and was recognised as a loan to the entity by the Group. The loans bear interest at PRC Benchmark Lending Rate plus 20% per annum. The balance of RMB39,657,000 as at 30 June 2017 (31 December 2016: RMB39,141,000) represents the loans and interest receivable due from SZ Yueneng and is repayable within one year.

During the year ended 31 December 2016, Beijing Lanjie entered into two agreements with the Group for (i) a loan of approximately RMB6,200,000 which is repayable in July 2018, unsecured and carries a fixed interest rate of 9% per annum; (ii) a loan of approximately RMB2,400,000 which is repayable in May 2018, secured and carries a fixed interest rate of 11% per annum.

During the six months ended 30 June 2017, the Group made a prepayment to Changzhou Boiler amounting to RMB435,000 for purchase of equipment.

21. TRADE PAYABLES

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

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

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

22. OTHER PAYABLES AND ACCRUALS

	30 June 2017 *RMB'000* (unaudited)	31 December 2016 *RMB'000* (audited)
Receipt in advance	142,500	133,242
Accrued purchases	154,994	191,904
Interest payable	12,625	11,815
Amounts due to vendors of		
Beijing Lanjie	1,500	1,500
Jiangxi Ruijin	7,000	–
安徽首創環境科技有限公司 (Anhui Capital Environmental Technology Company Limited)	1,000	1,000
Accrued professional fee	4,848	4,011
Other tax payable	23,354	24,856
Accrued payroll and severance payment	65,988	65,966
Others	13,861	18,484
	427,670	452,778

23. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

23. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

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

(2) Bank loan of RMB80,000,000 as at 30 June 2017 (31 December 2016: RMB80,000,000) was secured by the service concession arrangement in Yangzhou Capital Environmental Energy Investment Limited.

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

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

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

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

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

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

24. AMOUNTS DUE TO THE IMMEDIATE SHAREHOLDERS

Amounts represent the dividends declared and payable by BCG NZ to BCG Chinastar and Beijing Capital (HK) before the Acquisition.

25. PROVISIONS

Provision is mostly made for the future costs of closing the Group's landfills in New Zealand at the end of their economic lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at each balance sheet date, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

26. ISSUED CAPITAL

Shares

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Issued and fully paid:		
14,294,733,167 ordinary shares of HK$0.1 each	**1,188,219**	1,188,219

27. COMMITMENTS

	30 June 2017 RMB'000 (unaudited)	31 December 2016 RMB'000 (audited)
Contracted, but not provided for:		
– construction work under service concession arrangements	**673,956**	506,173
– property, plant and equipment	**116,987**	73,254
	790,943	579,427

In addition to the above commitments, the Group has granted rights to the property owners surrounding the Redvale landfill in New Zealand to sell the properties to the Group at the market price plus a margin. The total commitment amounts to RMB76,514,000 as at 30 June 2017 (31 December 2016: RMB70,441,000).

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

30 June 2017

	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Total *RMB'000*
Available-for-sale investments	–	90,328	90,328
Concession financial assets	1,840,760	–	1,840,760
Trade receivables	737,419	–	737,419
Financial assets included in prepayments, deposits and other receivables	141,159	–	141,159
Amounts due from associates	48,692	–	48,692
Pledged deposits	4,000	–	4,000
Time deposits	10,000	–	10,000
Cash and cash equivalents	498,431	–	498,431
	3,280,461	90,328	3,370,789

31 December 2016

	Loans and receivables *RMB'000*	Available-for-sale investments *RMB'000*	Total *RMB'000*
Available-for-sale investments	–	80,131	80,131
Concession financial assets	1,556,010	–	1,556,010
Trade receivables	644,401	–	644,401
Financial assets included in prepayments, deposits and other receivables	112,927	–	112,927
Amounts due from associates	47,741	–	47,741
Pledged deposits	9,000	–	9,000
Time deposits	15,000	–	15,000
Cash and cash equivalents	755,954	–	755,954
	3,141,033	80,131	3,221,164

28. FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Financial liabilities

30 June 2017

	Derivatives designated as effective hedging instrument *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	–	232,919	232,919
Financial liabilities included in other payables and accruals	–	177,119	177,119
Interest-bearing bank and other borrowings	–	4,020,304	4,020,304
Amounts due to the immediate shareholders	–	53,324	53,324
Amount due to a related party	–	1,198	1,198
Derivative financial instruments	4,905	–	4,905
	4,905	4,484,864	4,489,769

31 December 2016

	Derivatives designated as effective hedging instrument *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade payables	–	236,827	236,827
Financial liabilities included in other payables and accruals	–	206,219	206,219
Interest-bearing bank and other borrowings	–	3,715,655	3,715,655
Amounts due to the immediate shareholders	–	149,776	149,776
Derivative financial instruments	337	–	337
	337	4,308,477	4,308,814

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

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 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Available-for-sale investments	74,095	–	–	74,095

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial assets				
Available-for-sale investments	63,898	–	–	63,898

Liabilities measured at fair value:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) *RMB'000*	Significant observable inputs (Level 2) *RMB'000*	Significant unobservable inputs (Level 3) *RMB'000*	Total *RMB'000*
Financial liabilities				
Derivative financial instruments	–	4,905	–	4,905

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Liabilities measured at fair value: *(Continued)*

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments	–	337	–	337

30. CONTINGENT LIABILITIES

As at 30 June 2017, the Group provided guarantees of RMB7,765,000 (31 December 2016: RMB13,634,000) to two banks in respect of banking facilities granted to an associate.

As at 30 June 2017, the Group provided guarantees of NZ$40,462,000 (31 December 2016: NZ$39,890,000) to Auckland City Council and other local government authorities in New Zealand in relation to the business continuance of landfills.

As at 30 June 2017, the Group provided guarantees of NZ$9,259,000 (31 December 2016: NZ$8,664,000) to Auckland Council and other local government authorities in New Zealand in relation to the fulfillment the waste collection contracts and the requirements of other activities.

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.

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited interim condensed financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2017.

(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"). The immediate shareholders of the Company, Beijing Capital (HK) and BCG Chinastar, which are companies incorporated in Hong Kong with limited liabilities, are ultimately controlled by the PRC government. The ultimate parent of both shareholders is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Beijing Capital Investment & Guarantee Co., Ltd. is a subsidiary of Beijing Capital Group.

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

(a) 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 2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited) (restated)
Beijing Capital Investment & Guarantee Co., Ltd.	Guarantees charges	661	–
Beijing Capital (HK)	Rental expenses	902	606
BCG Chinastar	Interest expense	68,778	62,942

As at 30 June 2016, Beijing Capital (HK) granted the Group a three-year term facility of RMB1,300,000,000. The facility will be expired in March 2018. No drawings have been made from the RMB1,300,000,000 facility as at 30 June 2017.

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

During the six months ended 30 June 2017, the Group recognised revenue from the construction services and operating services of RMB260,161,000 (six months ended 30 June 2016: RMB99,208,000) and RMB49,722,000 (six months ended 30 June 2016: RMB16,183,000), respectively under service concession arrangements with the local governments in the PRC (see Note 16). All the concession financial assets of the Group are due from the local governments in the PRC.

As at 30 June 2017 and 31 December 2016, the deposits paid for construction of infrastructure in service concession arrangements with the government-related entity, Urban Construction Institute, were disclosed in Note 17.

As at 30 June 2017, trade receivables from government in relation to the licenses and franchises for the treatment of certain waste electric and electronic products were RMB403,270,000 (31 December 2016: RMB333,064,000).

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.

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

	NOTES	For the six months ended 30 June 2017 *RMB'000* (unaudited)	2016 *RMB'000* (unaudited) (restated)
Sales to related parties:			
Trans Waste	(a)	50,491	53,106
Burwood Resource Recovery Park Limited	(b)	7,825	6,958
Pike Point Transfer Station	(a)	6,419	4,094
Midwest Disposals	(a)	2,871	2,487
Waste Disposal Services	(c)	2,577	2,294
		70,183	68,939
Purchases from related parties:			
Midwest Disposals	(a)	15,141	11,984
Trans Waste	(a)	14,312	17,754
Waste Disposal Services	(c)	10,596	8,010
Pike Point Transfer Station	(a)	6,893	5,909
Burwood Resource Recovery Park Limited	(b)	53	46
		46,995	43,703
Interest income from related parties:			
SZ Yueneng	(d)	739	1,057
Beijing Lanjie	(d)	404	–
		1,143	1,057

Notes:

(a) The entity is a joint venture of the Group.

(b) The entity is a subsidiary of the Group's joint venture.

(c) The transactions are with the other operator of Waste Disposal Services.

(d) The entity is an associate of the Group.

31. RELATED PARTY TRANSACTIONS *(Continued)*

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

	For the six months ended 30 June	
	2017 *RMB'000* (unaudited)	2016 *RMB'000* (unaudited) (restated)
Short-term benefits	6,617	1,879

32. EVENTS AFTER THE REPORTING PERIOD

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

33. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation (Note 2).

34. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2017.

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 2017, 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 2017, 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)	6,449,026,736 (L)	45.11%
Beijing Capital Co., Ltd.	Interest of a controlled corporation (Note 1)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner (Note 2)	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd.	Interest of controlled corporations (Note 1 & 2)	9,565,793,808 (L)	66.92%

(L) denotes a long position

Note:

1. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Co., Ltd. were deemed to have interest in the Shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

2. BCG Chinastar International Investment Limited is the wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. is deemed to be interested in the shares held by BCG Chinastar International Investment Limited in accordance with the SFO.

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 2017 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.

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 enquiries of all its directors regarding any noncompliance with the Model Code, and all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the six months ended 30 June 2017.

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange 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 2016 annual report:

Name of Director	Details of change
Executive Director:	
Mr. Cao Guoxian	Retried as a non-executive director of China Environmental Technology Holdings Limited, which is a company listed on the Stock Exchange, with effect from 29 May 2017.

AUDIT COMMITTEE

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

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

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

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