



# 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 2020



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Cao Guoxian (*Chairman*)  
Mr. Li Fujing (*Chief Executive Officer*)  
Ms. Hao Chunmei  
Mr. Xiao Yukun (*appointed on 4 March 2020*)

### 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 (*Chairlady*)  
Mr. Pao Ping Wing  
Mr. Cheng Kai Tai, Allen

### Nomination Committee

Mr. Cao Guoxian (*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. Cao Guoxian

## COMPANY SECRETARY

Ms. Wong Bing Ni

## AUTHORIZED REPRESENTATIVES

Mr. Cao Guoxian  
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  
JNJ Partners LLP

## 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

SMP Partners (Cayman) Limited  
3rd Floor, Royal Bank House  
24 Shedden Road, P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

### Branch Registrar in Hong Kong

Tricor Investor Services Limited  
Level 54, 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

In the first half of 2020, due to the spread of novel coronavirus pneumonia in the world and the changes in the global landscape, the outbreak not only slowed down the growth of global trade, but also led to the readjustment of global industrial chains and supply chains and the greater economic and trade protectionism. In addition, the constant political and economic frictions in the world resulted in a sharp rise in the risk of global economic uncertainty, putting greater downward pressure on the economy. While coping with external economic and trade challenges, China is engaged in constructing a domestic and international circular economic and trade circle with a focus on forming a large domestic circular economy. It actively promotes its economic reform, adjusts its structure, and comprehensively drives the implementation of national policies for the development of green economy and environmental protection industries, thus making the green economy and environmental protection industries a new kinetic energy for its economic development.

At the 13th National People's Congress, the premier of China pointed out in the Government Work Report that efforts should be made to improve the effectiveness of ecological environmental governance, highlight the curbing of pollution in a law-based, scientific, and targeted way, deepen the control of air pollution in key areas, strengthen the construction of sewage and garbage disposal facilities, expand energy-saving and environmental protection industries, implement important ecosystem protection and restoration projects, and promote the construction of ecological civilization.

Under the general trend of vigorous development of the whole green economy and environmental protection industry, Capital Environment Holdings Limited (the "Company") actively responds to the national strategy, keeps up with the trend of industry development, and focuses on value creation. It comprehensively promotes the operation in accordance with the general philosophy of "seeking development through optimization", the working principle of "improving quality and efficiency of new projects and tapping into the potential of existing projects" and the important initiative of "double promotion and guarantee" formulated by the Group, thus maintaining good performance in production.

In the first half of 2020, in terms of results of operations, total assets of the Company and its subsidiaries (the "Group") reached RMB21,188.90 million, representing an increase of 13.7% compared to the end of last year; turnover was RMB3,320.9 million, representing a year-on-year increase of 17.1%; profit for the period was RMB223 million, representing a year-on-year slight decrease of 4.2%; net profit attributable to the parent company was RMB191.6 million, representing a year-on-year increase of 11.9%.

In terms of project reserves, the Group secured a total of 78 projects (including 28 waste-to-energy projects, 9 waste landfill projects, 7 anaerobic digestion technology treatment projects, 19 waste collection, storage and transportation projects, 8 hazardous waste treatment projects, 2 dismantling electronic appliances waste projects and 5 biomass resources electricity generation projects) in the PRC with a total investment of approximately RMB20,300 million, of which the amount of RMB8,450 million has been injected before 30 June 2020. The facilities are designed with an aggregate annual household waste treatment capacity of approximately 17.56 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units. The above projects have been successively constructed and operated. As at 30 June 2020, there was a total of 59 domestic projects under construction and operation. During the period, the Group signed a contract for the Nanchang Quanling domestic waste incineration power plant project (phase II). Projects (phase I and phase II) in Nanchang with the total processing capacity of 3,000 tons per day are representative projects showing the excellent capability of the Group. Meanwhile, the Group took advantage of the synergy of projects, implemented the systematic strategy in Huizhou and Nanchang, participated in the bidding for entrusted operation of fly ash landfill and leachate treatment in Huizhou and the preliminary work of Nanchang kitchen waste treatment and sanitation project. In addition, the Group enhanced the development of its asset-light businesses, promoted the renewal of the service contract for the Chaoyang sanitation project, and completed the market expansion for the landfill, waste screening and reduction procurement project in Nong'an County and the in-situ remediation project for informal landfills in Changzhi City.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In terms of technological improvement, Beijing Capital Environmental Technology Co., Ltd., (北京首創環境科技有限公司), a subsidiary of the Group, is a platform for technological innovation. It actively promoted the construction of a technological innovation system and the implementation of scientific research projects, independently developed 11 technological topics and obtained 16 patents. The Group has initiated a number of technological research and development measures to improve the quality and efficiency of waste incineration, and the research and development results will significantly help improve the profitability of the Group's domestic waste incineration project operations. In addition, the Group's research and development project in hazardous waste treatment and resource utilization technologies and equipment is progressing smoothly. Such project can effectively realize the recycling and utilization of valuable precious metals, and realize the harmless treatment and resource utilization of heavy and hazardous waste.

In terms of engineering construction, the Group accelerated the construction of a cost management system, forming a management system consisting of investment estimation, implementation budget, production drawing budget, completion settlement, financial final accounts, and change in management. It adhered to the standardized construction management system for leading quality, controllable progress, safety first and cost reduction. There were 18 projects under construction and 10 projects under preparation for construction. There were 3 projects completed and put into production, 1 project completed and 17 projects under steady construction.

In terms of operation management, the Group established a coordination mechanism at the project level and carried out business optimization for existing projects, thus increasing profits of businesses, improving project operating efficiency. In addition, the Group will make overall arrangements for the orderly closure of businesses that fail to conform to the development strategy of the Group, so as to focus its efforts in the industry, with the trade-off between development and adjustment. During the period, there were 38 projects of the Group under operation and trial operation. There were 7 incineration projects, 6 landfill projects, 15 collection, transportation and cleaning projects, 2 dismantling projects, 5 anaerobic projects, 1 aerobic project and 2 hazardous waste treatment and transportation projects. Key tasks were carried out in an orderly manner according to a scientific management plan. In the first half of the year, there were 2.5702 million tons of household waste disposed of, 710 tons of hazardous waste disposed of, 1.3772 million units of waste dismantled, and an area of 7.151 million square meters cleaned, and a total of 315 million kWh of on-grid electricity provided by the Group.

In terms of market financing, the Group continued to broaden its diversified financing channels. During the period, it successfully issued RMB1 billion corporate bonds with a coupon rate of 3.10%, which was the lowest interest rate for small public offerings with a credit rating of AA+ in the market of the Shanghai Stock Exchange since 2007. In addition, it completed the financing of HK\$300 million in Hong Kong, with a term of one year and an interest rate of 2.89%, thus effectively reducing the cost of capital and meeting the financing needs.

In terms of overseas market, the Group continued to hold 51% of the shares of BCG NZ Investment Holding Limited ("BCG NZ Group"), and established a nationwide network for vertical integration of local waste systems. BCG NZ Group provides comprehensive waste management services in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and serves more than 300,000 customers in New Zealand, with its presence in major cities such as Auckland, Wellington, Christchurch, thus continuing to maintain its leading position in New Zealand.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In the first half of 2020, the Group experienced a major public health emergency with rapid spread, wide infection range and great difficulties in prevention and control of novel coronavirus pneumonia. During the period of epidemic prevention and control, the Group properly carried out epidemic prevention and control, corporate production and operation in a planned manner, and made efforts to strengthen production and operation scheduling, implemented measures related to safety production, and made overall arrangements for internal work. All employees of the Group made a concerted effort and worked together to provide an important guarantee for epidemic prevention and control and stable operation, and lay a foundation for the high-quality development of the Group.

Looking into the future, under the background of the huge needs of China's economic and social development for the green environmental protection industry, as well as the strong support from the Chinese government for the industry, and with the full and persistent support of Beijing Capital Group Co., Ltd. ("Beijing Capital Group"), the controlling shareholder of the Company, the Group will adhere to the business philosophy of "seeking development through optimization", improve quality and efficiency, intensify the development of asset-light businesses, and promote the business strategy of "double promotion and guarantee". It will ensure the expansion of investment in asset-light businesses and major projects, through adjustment and allocation of core resources and gradually realize the optimization and adjustment of asset portfolio; it will deeply implement the delicacy management of business lines to enhance the overall profitability of the Company. In addition, the Group will develop into a technology-driven and investment-driven large-scale environmental protection enterprise, adhering to the spirit of craftsmanship, focusing on technological transformation, technological research and development and technological synergy of incineration projects, landfill projects, and anaerobic projects, and it will actively practice the Group's "ecological +" development strategy, take scientific and technological innovation as an important driving force for the company's development, focus on enhancing innovation capabilities, be committed to leading efficient, green and smart development, and strive to become a leading comprehensive service provider of ecological environment in the field of solid waste in China.

The circular economy is a future-oriented economy as well as the general trend of development. In the future, the Group will start from the improvement of its business capabilities, grasp all the opportunities in future development under the guidance of the "ecological +" development strategy, accelerate the construction of the whole-level system around the core capacity building, continuously optimize systems and processes, and make intensive efforts with the five-in-one strategic philosophy of "technology, investment, construction, operation and consultation", and create a comprehensive system-based environmental protection enterprise driven by professionalism, cross-industry knowledge, resource integration and intelligent management, and develop the asset-light and ecological development ability, thus playing a role in the circular economy.

### FINANCIAL REVIEW

#### Overview

During the period under review, the net profit attributable to the owners of the Company amounted to approximately RMB191.60 million, representing an increase of approximately 11.9% as compared to approximately RMB171.20 million of the corresponding period of last year. The increase in profit was mainly due to the continuous investment in construction and operation of projects, which promoted the growth of construction and operating profits respectively.

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

During the period under review, the Group's revenue from the waste treatment and waste-to-energy business reached approximately RMB3,320.90 million, representing an increase of approximately 17.1% as compared to that of the corresponding period last year.

During the period under review, the gross profit margin of the Group was approximately 24.4%.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Administrative Expenses

During the period under review, the administrative expenses of the Group's continuing operations decreased by approximately 1.4% to approximately RMB317.40 million.

### Finance Costs

The finance costs increased by approximately 18.3% to approximately RMB252.40 million, compared to that of the corresponding period last year. The increase was mainly due to the Company's issuance of RMB1 billion corporate bonds and the increase in subsidiaries borrowings during the period under review.

### Financial Position

As at 30 June 2020, the Group had total assets amounting to approximately RMB21,188.90 million and net assets attributable to the owners of the Company were approximately RMB3,719.00 million. The gearing ratio (which is calculated on the basis of total liabilities over total assets) was approximately 75%, an increase of 3 percentage points from 72% at the end of 2019. The increase was mainly due to the increase in funding requirements for new projects, and during the period under review, the Group added new project loans and issued corporate bonds to meet funding needs. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased slightly from approximately 1.52 as at 31 December 2019 to approximately 1.51 as at 30 June 2020.

### Financial Resources

The Group finances its operations primarily with internally generated cash flow, debt financing and loan facilities from banks. As at 30 June 2020, the Group had cash and bank balances, time deposits and pledged bank deposits of approximately RMB2,581.418 million, representing an increase of approximately RMB980.648 million as compared to approximately RMB1,600.77 million at the end of 2019. The increase was mainly due to the increase in bank and debt financing during the period under review. Currently, most of the Group's cash is denominated in US\$, HK\$, RMB and NZ\$.

### Borrowings

As at 30 June 2020, the Group had outstanding borrowings of approximately RMB8,486.302 million, representing an increase of approximately RMB1,155.479 million as compared to approximately RMB7,330.823 million at the end of 2019. The borrowings comprised secured loans of approximately RMB3,811.696 million and unsecured loans of approximately RMB4,674.606 million. The borrowings are denominated in US\$, HK\$, RMB and NZ\$. Approximately 48.8% and 51.2% of the borrowings are at fixed rate and variable rate, respectively.

As at 30 June 2020, undrawn borrowing financing of the Group was RMB2,851.51 million.

### Foreign Exchange Exposure

The majority of the Group's sales, purchase and operating expenses were denominated in US\$, HK\$, RMB and NZ\$. 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. 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 2020, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangements, the prepaid land lease payments and buildings.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Commitment Arrangements

As at 30 June 2020, the Group had capital commitment of approximately RMB2,437.423 million and RMB228.584 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

### Contingent Liabilities

As at 30 June 2020, the Group provided guarantees of approximately RMB357.895 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 2020, the Group had about 4,696 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 2020 (six months ended 30 June 2019: nil).



# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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## Independent review report

### To the members of Capital Environment Holdings Limited

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

## INTRODUCTION

We have reviewed the interim financial information set out on pages 9 to 38, which comprises the condensed consolidated statement of financial position of Capital Environment Holdings Limited (the “Company”) and its subsidiaries as at 30 June 2020 and the related 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

*Certified Public Accountants*  
Hong Kong

24 August 2020

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
<b>REVENUE</b>	5	<b>3,320,911</b>	2,836,775
Cost of sales		(2,512,260)	(2,058,058)
Gross profit		<b>808,651</b>	778,717
Other income and gains	5	<b>98,186</b>	97,025
Administrative expenses		(317,410)	(321,945)
Other expenses		(12,611)	(19,445)
Finance costs	7	(252,440)	(213,448)
Share of profits and losses of:			
Joint ventures		<b>21,650</b>	18,796
Associates		(3,840)	5,071
<b>PROFIT BEFORE TAX</b>	6	<b>342,186</b>	344,771
Income tax expenses	8	(119,147)	(111,946)
<b>PROFIT FOR THE PERIOD</b>		<b>223,039</b>	232,825
Attributable to:			
Owners of the parent		<b>191,571</b>	171,194
Non-controlling interests		<b>31,468</b>	61,631
		<b>223,039</b>	232,825
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic	9	<b>RMB1.34 cent</b>	RMB1.20 cent
Diluted	9	<b>RMB1.34 cent</b>	RMB1.20 cent

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
<b>PROFIT FOR THE PERIOD</b>	<b>223,039</b>	<b>232,825</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(10,755)	(25,194)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	4,119	—
Income tax effect	(1,301)	7,054
	(7,937)	(18,140)
Exchange differences:		
Exchange differences on translation of foreign operations	(122,067)	(19,223)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	(130,004)	(37,363)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	(49)	10,134
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	(49)	10,134
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>(130,053)</b>	<b>(27,229)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>92,986</b>	<b>205,596</b>
Attributable to:		
Owners of the parent	96,362	152,907
Non-controlling interests	(3,376)	52,689
	<b>92,986</b>	<b>205,596</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

	Notes	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	2,333,627	2,272,692
Right-of-use assets		1,213,513	1,240,099
Prepaid land lease payments		111,523	100,592
Goodwill		2,023,038	2,086,384
Other intangible assets	12	2,939,919	2,702,006
Investments in joint ventures		441,385	451,469
Investments in associates		100,997	104,521
Trade receivables	16	320,722	—
Equity investments designated at fair value through other comprehensive income		17,869	17,918
Deferred tax assets		14,421	14,602
Concession financial assets	14	3,243,985	1,818,652
Contract assets	14	2,936,963	3,207,936
Prepayments, other receivables and other assets	15	57,064	61,044
Pledged deposits		5,012	38,912
Total non-current assets		15,760,038	14,116,827
<b>CURRENT ASSETS</b>			
Inventories		61,658	85,536
Concession financial assets	14	573,990	411,834
Contract assets	14	121,700	212,876
Trade receivables	16	1,036,656	1,301,954
Assets classified as held for sale		11,267	9,675
Prepayments, other receivables and other assets	15	957,661	866,621
Prepaid land lease payments		2,686	2,497
Amounts due from associates		66,296	60,846
Tax recoverable		20,497	5,356
Pledged deposits		35,851	21,829
Cash and cash equivalents		2,540,555	1,540,029
Total current assets		5,428,817	4,519,053
<b>CURRENT LIABILITIES</b>			
Trade payables	17	1,324,138	1,108,487
Other payables and accruals		467,263	455,409
Deferred income		7,392	8,758
Derivative financial instruments		19,153	20,134
Interest-bearing bank and other borrowings	18	1,564,655	1,221,633
Lease liabilities		69,927	57,748
Amount due to a related party		1,912	1,855
Tax payable		140,107	104,219
Total current liabilities		3,594,547	2,978,243
<b>NET CURRENT ASSETS</b>		1,834,270	1,540,810
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		17,594,308	15,657,637

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 JUNE 2020

	Notes	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		188,034	182,078
Interest-bearing bank and other borrowings	18	6,921,647	6,109,190
Notes payable	19	2,116,698	2,080,404
Corporate bonds	20	992,523	—
Derivative financial instruments		16,707	10,173
Deferred tax liabilities		686,873	629,782
Provisions		214,058	223,538
Lease liabilities		1,169,279	1,181,218
Total non-current liabilities		12,305,819	10,416,383
Net assets		5,288,489	5,241,254
<b>EQUITY</b>			
Equity attributable to owners of the parent			
Issued capital	21	1,188,219	1,188,219
Reserves		2,530,736	2,434,374
		3,718,955	3,622,593
Non-controlling interests		1,569,534	1,618,661
Total equity		5,288,489	5,241,254

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the parent										
	Issued capital	Share premium	Capital reserve	Merger reserve	Cash flow hedge reserve	Fair value reserve of financial assets at fair value through other comprehensive income	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	1,188,219	1,670,391	4,702	(481,084)	(10,037)	1,684	(213,779)	1,462,497	3,622,593	1,618,661	5,241,254
Profit for the period	—	—	—	—	—	—	—	191,571	191,571	31,468	223,039
Other comprehensive income for the period:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	—	(49)	—	—	(49)	—	(49)
Cash flow hedge, net of tax	—	—	—	—	(9,603)	—	—	—	(9,603)	1,666	(7,937)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(85,557)	—	(85,557)	(36,510)	(122,067)
Total comprehensive income for the period	—	—	—	—	(9,603)	(49)	(85,557)	191,571	96,362	(3,376)	92,986
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	1,740	1,740
Dividend paid to a non-controlling shareholder	—	—	—	—	—	—	—	—	—	(47,491)	(47,491)
At 30 June 2020 (unaudited)	1,188,219	1,670,391*	4,702*	(481,084)*	(19,640)*	1,635*	(299,336)*	1,654,068*	3,718,955	1,569,534	5,288,489

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the parent										
	Issued capital <i>RMB'000</i> (note 21)	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Merger reserve <i>RMB'000</i>	Cash flow hedge reserve <i>RMB'000</i>	Fair value reserve of financial assets at fair value through other comprehensive income <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	(Accumulated losses)/Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>	Non-controlling interests <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 1 January 2019 (audited)	1,188,219	3,972,845	8,802	(481,084)	—	(20,923)	(183,496)	(1,122,001)	3,362,362	1,441,556	4,803,918
Profit for the period	—	—	—	—	—	—	—	171,194	171,194	61,631	232,825
Other comprehensive income for the period:											
Changes in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	—	10,134	—	—	10,134	—	10,134
Cash flow hedge, net of tax	—	—	—	—	(9,251)	—	—	—	(9,251)	(8,889)	(18,140)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	(19,170)	—	(19,170)	(53)	(19,223)
Total comprehensive income for the period	—	—	—	—	(9,251)	10,134	(19,170)	171,194	152,907	52,689	205,596
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	45,611	45,611
At 30 June 2019 (unaudited)	1,188,219	3,972,845	8,802	(481,084)	(9,251)	(10,789)	(202,666)	(950,807)	3,515,269	1,539,856	5,055,125

\* These reserve accounts comprise the consolidated reserves of RMB2,530,736,000 (31 December 2019: RMB2,434,374,000) in the interim condensed consolidated statement of financial position.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>342,186</b>	344,771
Adjustments for:			
Depreciation and amortisation	6	<b>210,593</b>	183,845
Gain on disposal of items of property, plant and equipment	5	<b>(451)</b>	(309)
Impairment/(reversal of impairment) of prepayments, other receivables and other assets	6	<b>332</b>	(56,256)
Impairment of trade receivables	6	<b>5,133</b>	3,870
Share of profits and losses of joint ventures and associates		<b>(17,810)</b>	(23,867)
Interest income		<b>(160,969)</b>	(115,516)
Finance costs	7	<b>252,440</b>	213,448
Dividend income from equity investments at fair value through other comprehensive income		<b>—</b>	(1,875)
		<b>631,454</b>	548,111
(Increase)/decrease in inventories		<b>23,529</b>	(7,128)
Increase in concession financial assets and relevant contract assets in relation to service concession arrangements		<b>(723,079)</b>	(786,970)
Increase in trade receivables		<b>(56,170)</b>	(182,895)
Increase in other contract assets		<b>(63,563)</b>	—
Increase in prepayments, other receivables and other assets		<b>(91,456)</b>	(100,829)
Increase in trade payables		<b>219,473</b>	82,858
Increase/(decrease) in other payables and accruals		<b>23,977</b>	(27,583)
Decrease in provision		<b>(447)</b>	(301)
Increase in deferred income		<b>4,787</b>	29,286
Cash used in operations		<b>(31,495)</b>	(445,451)
Income tax paid		<b>(30,808)</b>	(25,328)
Net cash flows used in operating activities		<b>(62,303)</b>	(470,779)



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	2020 <i>RMB'000</i> Unaudited	2019 <i>RMB'000</i> Unaudited
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in other intangible assets and relevant contract assets in relation to service concession arrangements	(634,229)	(265,682)
Purchases of items of property, plant and equipment	(254,457)	(213,704)
Additions to other intangible assets	(191)	(158)
Purchases of prepaid lease payments	(12,463)	—
Proceeds from disposal of items of property, plant and equipment	5,000	1,858
Acquisition of a subsidiary	—	(700)
(Increase)/decrease in assets held for sale	(1,592)	11,852
Interest received	4,461	14,017
Capital injection to an associate	(316)	(7,350)
Dividend received from a joint venture	18,062	22,797
Decrease/(increase) in pledged deposits	19,878	(29,561)
Increase in investments in principal guaranteed deposits	—	(30,000)
<b>Net cash flows used in investing activities</b>	<b>(855,847)</b>	<b>(496,631)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(243,404)	(153,610)
Repayment of bank loans and other borrowings	(417,932)	(217,658)
Principal portion of lease payments	(1,196)	(27,214)
New bank and other borrowings	1,630,451	785,388
Proceeds from issue of corporate bonds	992,000	—
Dividends paid to a non-controlling shareholder	(47,491)	—
Capital contribution from non-controlling shareholders of subsidiaries	1,740	45,611
<b>Net cash flows from financing activities</b>	<b>1,914,168</b>	<b>432,517</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>996,018</b>	<b>(534,893)</b>
Effect of foreign exchange rate changes, net	4,508	(11,451)
Cash and cash equivalents at beginning of the period	1,540,029	2,403,522
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,540,555</b>	<b>1,857,178</b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	2,581,418	1,924,748
Pledged deposits	(40,863)	(67,570)
<b>Cash and cash equivalents as stated in the statement of cash flows</b>	<b>2,540,555</b>	<b>1,857,178</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

## 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 (the “Stock Exchange”) 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 located at 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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concession (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

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

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The Company entered into an interest rate swap contract with the Hong Kong and Shanghai Banking Corporation ("HSBC") during this period to hedge the interest rate risk of Hong Kong Interbank Offered Rate ("HIBOR"). The hedged item is a loan from HSBC with the principal amount of HK\$700 million, which is charged at a floating interest rate of HIBOR+1.4% and with a maturity date of 20 November 2022. The hedge instrument is with the same nominal amount and the same maturity date, and it requires the Company to pay interest to HSBC at a fixed interest of 1.34%, while HSBC pays interest to the Company at a floating rate of HIBOR.

In the opinion of the directors, the interbank offered rate reform may give rise to uncertainties to the hedge relationship above as there may be additional terms to be specifically negotiated in case HIBOR is translated into an alternative benchmark, and the uncertainties would be no longer present at the earlier of a new benchmark determined or the termination of the interest rate swap contract. The Company has promptly taken active action in following up with the latest updates in the mechanism, and the hedge relationship is not expected to be broken easily as the loan contract and the interest rate swap contract were both entered into with HSBC. Therefore, the Company shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of interest rate benchmark reform.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group did not receive any rent concessions arising as a direct consequence of the covid-19 pandemic during the period ended 30 June 2020.
- (d) Amendment to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 4. OPERATING SEGMENT INFORMATION

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

Six months ended 30 June 2020	Waste treatment and waste-to-energy business in the PRC RMB'000 Unaudited	Waste treatment and waste-to-energy business in New Zealand RMB'000 Unaudited	Total RMB'000 Unaudited
<b>Segment revenue</b> (note 5)			
Revenue from external customers	2,269,285	1,051,626	3,320,911
Revenue from operations			<u>3,320,911</u>
<b>Segment results</b>	<b>171,219</b>	<b>51,820</b>	<b>223,039</b>
<b>Other segment information:</b>			
Share of profits of joint ventures	—	21,650	21,650
Share of losses of associates	(3,840)	—	(3,840)
Impairment losses recognised in the statement of profit or loss	3,304	2,161	5,465
Depreciation and amortisation	53,651	156,942	210,593
Capital expenditure (note)	98,896	155,561	254,457
Six months ended 30 June 2019	Waste treatment and waste-to-energy business in the PRC RMB'000 Unaudited	Waste treatment and waste-to-energy business in New Zealand RMB'000 Unaudited	Total RMB'000 Unaudited
<b>Segment revenue</b> (note 5)			
Revenue from external customers	1,646,779	1,189,996	2,836,775
Revenue from operations			<u>2,836,775</u>
<b>Segment results</b>	<b>148,538</b>	<b>84,287</b>	<b>232,825</b>
<b>Other segment information:</b>			
Share of profits of joint ventures	—	18,796	18,796
Share of profits of associates (Reversals of impairment)/impairment losses recognised in the statement of profit or loss	5,071	—	5,071
	(53,788)	1,402	(52,386)
Depreciation and amortisation	30,541	153,304	183,845
Capital expenditure (note)	27,035	186,669	213,704

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 4. OPERATING SEGMENT INFORMATION *(continued)*

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively.

	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
<b>Segment assets</b>			
30 June 2020 (unaudited)	13,924,754	7,264,101	21,188,855
31 December 2019 (audited)	11,158,045	7,477,835	18,635,880
<b>Segment liabilities</b>			
30 June 2020 (unaudited)	10,913,383	4,986,983	15,900,366
31 December 2019 (audited)	8,310,119	5,084,507	13,394,626

### 5. REVENUE, OTHER INCOME AND GAINS

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

#### Revenue

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Revenue from contracts with customers	3,182,733	2,744,982
Effective interest income on concession financial assets	138,178	91,793
Total revenue	3,320,911	2,836,775

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 5. REVENUE, OTHER INCOME AND GAINS *(continued)*

#### Revenue *(continued)*

Disaggregated revenue information for revenue from contracts with customers:

*For the six months ended 30 June 2020*

	The PRC RMB'000 Unaudited	New Zealand RMB'000 Unaudited	Total RMB'000 Unaudited
<b>Types of goods or services</b>			
Construction services under service concession arrangements	1,480,277	—	1,480,277
Operation services under service concession arrangements	303,893	—	303,893
Electronic appliance dismantling	200,653	—	200,653
Waste collection services	—	679,792	679,792
Waste landfill services	—	209,498	209,498
Recycling	—	42,036	42,036
Technical services	2,927	113,977	116,904
Environmental remediation project operation service	79,898	—	79,898
Others	63,459	6,323	69,782
Total revenue from contracts with customers	<b>2,131,107</b>	<b>1,051,626</b>	<b>3,182,733</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	126,709	42,036	168,745
Services transferred at a point in time	339,421	1,009,590	1,349,011
Services transferred over time	1,664,977	—	1,664,977
Total revenue from contracts with customers	<b>2,131,107</b>	<b>1,051,626</b>	<b>3,182,733</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 5. REVENUE, OTHER INCOME AND GAINS (continued)

#### Revenue (continued)

Disaggregated revenue information for revenue from contracts with customers (continued):

For the six months ended 30 June 2019

	The PRC RMB'000 Unaudited	New Zealand RMB'000 Unaudited	Total RMB'000 Unaudited
<b>Types of goods or services</b>			
Construction services under service concession arrangements	1,056,702	—	1,056,702
Operation services under service concession arrangements	190,661	—	190,661
Electronic appliance dismantling	215,231	—	215,231
Waste collection services	—	750,084	750,084
Waste landfill services	—	257,985	257,985
Recycling	—	60,500	60,500
Technical services	—	114,767	114,767
Environmental remediation project operation service	43,693	—	43,693
Others	48,699	6,660	55,359
Total revenue from contracts with customers	1,554,986	1,189,996	2,744,982
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	141,417	60,500	201,917
Services transferred at a point in time	205,204	1,129,496	1,334,700
Services transferred over time	1,208,365	—	1,208,365
Total revenue from contracts with customers	1,554,986	1,189,996	2,744,982

#### Other income and gains

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Bank interest income	2,156	3,554
Other interest income	20,635	20,169
Gain on disposal of items of property, plant and equipment	451	309
Government grants	73,775	14,134
Reversal of impairment of prepayments, other receivables and other assets	—	56,256
Others	1,169	2,603
	98,186	97,025

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Cost of services rendered/goods sold under service concession arrangements	1,511,748	1,040,710
Cost of other services rendered	804,966	787,536
Cost of other goods sold	195,546	229,812
Depreciation		
— Property, plant and equipment	129,464	118,848
— Right-of-use assets	26,148	23,851
Amortisation		
— Prepaid land lease payments	1,343	1,090
— Other intangible assets	53,638	40,056
Auditor's remuneration	970	864
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	157,191	164,539
Pension scheme contributions	13,016	15,188
Impairment of financial assets, net:		
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets, net	332	(56,256)
Impairment of trade receivables, net	5,133	3,870
Foreign exchange differences, net	6,703	5,069

### 7. FINANCE COSTS

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Interest on bank and other borrowings	152,227	137,695
Interest on notes payable (note 19)	65,015	61,750
Interest on corporate bonds (note 20)	3,241	—
Other finance costs:		
Increase in discounted amounts of provisions arising from the passage of time	1,590	2,391
Interest arising from lease liabilities	26,120	6,505
Others	4,247	5,107
	252,440	213,448



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

Withholding Hong Kong profits tax was calculated at 10% (six months ended 30 June 2019: 10%) on the interest income recognised by a subsidiary in Hong Kong from a subsidiary in New Zealand.

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	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Current income tax:		
— Hong Kong	12,697	12,889
— PRC	42,214	26,841
— New Zealand	(3,025)	11,852
Deferred	67,261	60,364
Total tax charge for the period	119,147	111,946

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

The calculation of the basic earnings per share ("EPS") amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB191,571,000 (2019: RMB171,194,000), and the weighted average number of ordinary shares of 14,294,733,167 (2019: 14,294,733,167) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

### 10. DIVIDENDS

No dividend was paid or proposed by the Company during the six months ended 30 June 2020 and 2019.

### 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired assets with a cost of RMB254,457,000 (30 June 2019: RMB213,704,000).

Assets with a net book value of RMB4,549,000 were disposed by the Group during the six months ended 30 June 2020 (30 June 2019: RMB1,549,000), resulting in a net gain on disposal of RMB451,000 (30 June 2019: RMB309,000).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 12. OTHER INTANGIBLE ASSETS

For the six months ended 30 June 2020, additions in other intangible assets arising from service concession arrangements of RMB333,512,000 mainly represent:

- 1) Increase of RMB156,505,000 due to the completion of the construction of a BOT project operated by Xihua Capital Environment Resources Limited (西華首創環保能源有限公司), which is engaged in waste treatment and waste-to-energy generation.
- 2) Increase of RMB117,379,000 due to the completion of the construction of a BOT project operated by Jiangxi Ruijin Ai Si Environmental Electric Limited (江西瑞金愛思環保電力有限公司), which is engaged in waste treatment and waste-to-energy generation.

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

Revenue and gross margin recognised from construction services and operation services of the service concession arrangements were collectively disclosed in note 14.

### 13. INVESTMENT IN A JOINT OPERATION

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

	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
Current assets	11,721	10,107
Non-current assets	84,568	89,123
Total assets	96,289	99,230
Current liabilities	(6,182)	(4,981)
Non-current liabilities	(28,209)	(32,669)
Total liabilities	(34,391)	(37,650)
Net assets shared by the Group	61,898	61,580

  

	30 June 2020 RMB'000 Unaudited	30 June 2019 RMB'000 Unaudited
Share of the joint operation's revenue	21,214	22,036
Share of the joint operation's expenses	(12,594)	(12,414)
Share of the joint operation's profit before tax	8,620	9,622
Cash received	6,608	9,119

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 14. CONCESSION FINANCIAL ASSETS AND CONTRACT ASSETS

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

The effective interest rates used in service concession arrangements ranged from 5.00% to 6.56% for the six months ended 30 June 2020.

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

The Group recognised revenue from construction services of RMB1,480,277,000 (six months ended 30 June 2019: RMB1,056,702,000) and revenue from operation of RMB303,893,000 (six months ended 30 June 2019: RMB190,661,000) for all the service concession arrangements of the Group (see note 5). The gross profits recognised from construction services were amounted to RMB217,878,000 (six months ended 30 June 2019: RMB159,070,000) and the gross profits recognised from operation services were amounted to RMB93,659,000 (six months ended 30 June 2019: RMB53,193,000) for all the service concession arrangements of the Group.

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

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
Advances to suppliers	211,724	212,875
Value added tax receivables	452,469	386,007
Loans receivable	5,437	9,997
Prepayments for emission units	41,344	43,053
Tender deposits	275,992	250,548
Others	27,759	25,185
	<b>1,014,725</b>	<b>927,665</b>
Analysed for reporting purposes as:		
Current assets	957,661	866,621
Non-current assets	57,064	61,044
	<b>1,014,725</b>	<b>927,665</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 16. TRADE RECEIVABLES

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
Trade receivables	1,374,012	1,316,234
Impairment	(16,634)	(14,280)
	<b>1,357,378</b>	<b>1,301,954</b>
Analysed for reporting purposes as:		
Current assets	1,036,656	1,301,954
Non-current assets	320,722	—
	<b>1,357,378</b>	<b>1,301,954</b>

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

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
0-90 days	551,149	497,663
91-180 days	171,932	180,894
Over 180 days	634,297	623,397
	<b>1,357,378</b>	<b>1,301,954</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 17. TRADE PAYABLES

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

	<b>30 June 2020 RMB'000 Unaudited</b>	31 December 2019 RMB'000 Audited
0-90 days	841,489	677,579
91-180 days	78,982	70,250
Over 180 days	403,667	360,658
	<b>1,324,138</b>	<b>1,108,487</b>

### 18. INTEREST-BEARING BANK AND OTHER BORROWINGS

	<b>30 June 2020 RMB'000 Unaudited</b>	31 December 2019 RMB'000 Audited
Secured bank and other borrowings (notes)	3,811,696	2,907,343
Unsecured bank and other borrowings	4,674,606	4,423,480
	<b>8,486,302</b>	<b>7,330,823</b>
Carrying amount repayable:		
Within one year	1,564,655	1,221,633
More than one year, but not exceeding two years	3,091,854	2,996,799
More than two years, but not exceeding five years	2,404,904	2,192,038
Beyond five years	1,424,889	920,353
	<b>8,486,302</b>	<b>7,330,823</b>
Less: amounts due within one year shown under current liabilities	<b>(1,564,655)</b>	<b>(1,221,633)</b>
Non-current liabilities	<b>6,921,647</b>	<b>6,109,190</b>

Notes:

- (1) Bank loans of RMB380,481,000 as at 30 June 2020 (31 December 2019: RMB410,822,000) were guaranteed by the corporate guarantee of the Group.
- (2) Bank loans of RMB659,935,000 as at 30 June 2020 (31 December 2019: RMB570,900,000) were secured by the service concession arrangements of the Group.
- (3) Bank loans of RMB1,112,143,000 as at 30 June 2020 (31 December 2019: RMB414,249,000) were guaranteed by the corporate guarantee of the Group, and were secured by the service concession arrangements of the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 18. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Notes: (continued)

- (4) A bank loan of RMB9,430,000 as at 30 June 2020 (31 December 2019: RMB13,660,000) was guaranteed by a corporate guarantee of a subsidiary of Beijing Capital Group Co., Ltd. ("Beijing Capital Group").
- (5) A bank loan of RMB182,346,000 as at 30 June 2020 (31 December 2019: RMB128,676,000) was guaranteed by a corporate guarantee of the Group and Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司).
- (6) Other loan of RMB69,000,000 (31 December 2019: nil) from China Clean Development Mechanism Fund (中國清潔發展機制基金) as at 30 June 2020 was secured by the service concession arrangement in Fuzhou Capital Haihuan Environmental Technology Co., Ltd (福州首創海環環保科技有限公司).
- (7) Bank loans of RMB163,117,000 as at 30 June 2020 (31 December 2019: RMB75,000,000) were guaranteed by a corporate guarantee of the Group, and were secured by the prepaid land lease payments and buildings with a carrying amount of RMB63,395,000 (31 December 2019: RMB80,807,000).
- (8) Other loans of RMB102,643,000 from Beijing Guozi Financial leasing Co., Ltd. (北京國資融資租賃股份有限公司) as at 30 June 2020 (31 December 2019: RMB154,084,000) were secured by the service concession arrangement in Nanchang Capital Environment Energy Co., Ltd. (南昌首創環保能源有限公司) and Zhejiang Zhuoshang Environmental Energy Company Limited (浙江卓尚環保能源有限公司), respectively.
- (9) Other loan of RMB132,601,000 from China Merchants Bank Financial Leasing Co., Ltd. (招銀金融租賃有限公司) as at 30 June 2020 (31 December 2019: RMB139,952,000) was guaranteed by a corporate guarantee of the Group, and was secured by the service concession arrangement in Duyun Capital Environment Company Limited (都勻市首創環保有限公司).
- (10) Other loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司) as at 30 June 2020 (31 December 2019: RMB1,000,000,000) was guaranteed by a corporate guarantee of Beijing Capital Group.

Included in other borrowings is a loan of NZ\$570,000,000 (equivalent to approximately RMB2,595,079,000) from BCG Chinastar International Investment Limited ("BCG Chinastar") which is unsecured, interest-bearing at 5.5% per annum and has the original maturity date on 31 May 2021. The Group has obtained the written commitment from BCG Chinastar in relation to the extension of this loan for at least one year and the management of the Company has decided to extend it. The extension contract will be entered into before 31 May 2021 with interest rate renegotiated according to the market then.

As at 30 June 2020, the Group had undrawn borrowing facilities amounting to RMB2,851,510,000 (31 December 2019: RMB1,405,390,000).

As at 30 June 2020, the Group's bank and other loans of RMB4,137,506,000 were charged at fixed interest rates while RMB4,348,796,000 were charged at floating interest rates. The carrying amounts of the Group's current borrowings approximate to their fair values.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 19. NOTES PAYABLE

The Group's notes payable were issued in 2018. The movements of notes payable during the period are as follows:

	30 June 2020 RMB'000 Unaudited
Liabilities at 31 December 2019	2,080,404
Interest reclassified in previous year	35,889
Interest during the period	65,015
Interest paid during the period	(59,733)
Exchange realignment	31,158
	<b>2,152,733</b>
Less: Interest to be paid within one year	(36,035)
	<b>2,116,698</b>
Liabilities at 30 June 2020	<b>2,116,698</b>

### 20. CORPORATE BONDS

On 29 May 2020, the Company issued its first branch of corporate bonds in an aggregate principal amount of RMB1 billion at par value, which was listed on the Shanghai Stock Exchange. The net proceeds after deducting the transaction costs of RMB8,000,000, including a guarantee fee of RMB5,000,000, were RMB992,000,000. The bonds bear interest from 29 May 2020 at 3.1% per annum payable annually in arrears on 29 May of each year, and are guaranteed by Beijing Capital Group with a guarantee fee based on 0.5% per annum of the principal amount. The maturity date of the bonds is 29 May 2025, while the bonds provide an option for the Company to adjust the coupon rate and a put option to the investors at the end of the third year. The Company's option to adjust the coupon rate and the investors' option to resale are closely related to the economic characteristics and risks of the bonds. Furthermore, the Company expected that these bonds may be redeemed on 29 May 2023.

After initial recognition, these corporate bonds are subsequently measured at amortised cost, with terms of 3 years, using the effective interest rate method. Amortised cost is calculated by taking into account transaction costs that are an integral part of the effective interest rate.

The movements of corporate bonds during the period are as follows:

	30 June 2020 RMB'000 Unaudited
Corporate bonds issued	992,000
Interest during the period	3,241
	<b>995,241</b>
Less: Interest to be paid within one year	(2,718)
	<b>992,523</b>
Liabilities at 30 June 2020	<b>992,523</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 21. ISSUED CAPITAL Shares

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
Issued and fully paid: 14,294,733,167 ordinary shares of HK\$0.1 each	<b>1,188,219</b>	1,188,219

### 22. CONTINGENT LIABILITIES

As at 30 June 2020, the Group provided guarantees of RMB244,548,000 (31 December 2019: RMB239,182,000) to the New Zealand government authorities in relation to continuous operation of landfills.

As at 30 June 2020, the Group provided guarantees of RMB113,347,000 (31 December 2019: RMB117,374,000) to the New Zealand government authorities in relation to the fulfillment of the waste collection contracts and the requirements of other activities.

Guarantees given under the agreements entered into with the New Zealand government authorities on continuous operation of the landfills or for meeting the required operational standards. The amounts of the guarantees were determined based on the terms of the agreements signed by the subsidiary of the Group in New Zealand and the New Zealand government authorities. In the opinion of the directors, the entity will fulfill its responsibilities in relation to continuous operation of the landfills and meeting the required operational standards, therefore, there is low risk of the claims made against the Group under the guarantees.

### 23. COMMITMENTS

	30 June 2020 <i>RMB'000</i> Unaudited	31 December 2019 <i>RMB'000</i> Audited
Contracted, but not provided for:		
— construction work under service concession arrangements	<b>2,437,423</b>	3,674,050
— property, plant and equipment	<b>228,584</b>	325,011
	<b>2,666,007</b>	3,999,061



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these unaudited interim financial information, the Group entered into the following material related party transactions during the six months ended 30 June 2020.

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

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

Capital Securities Co., Ltd. (“Capital Securities”) is a subsidiary of Beijing Capital Group.

**(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	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Beijing Capital (HK)	Rental expenses*	815	791
BCG Chinastar	Interest expense**	68,865	70,881
Beijing Capital Group	Keepwell fee***	3,068	4,735
Beijing Capital Group	Guarantees charges^	3,244	2,779
Capital Securities	Underwriting service fee^^	3,000	—

\* The rental expenses were charged in accordance with the relevant agreement.

\*\* The interest expenses were related to the loan of NZ\$570,000,000 from BCG Chinastar.

\*\*\* Beijing Capital Group provided keepwell services for the issued notes of US\$300,000,000 based on the rate of 0.3% per annum during the six months ended 2019 and 2020, and for a loan of HK\$700,000,000 from Bank of China (Hong Kong) based on the rate of 0.6% per annum during the six months ended 2019.

^ Beijing Capital Group provided guarantee services for the issued bonds of RMB1,000,000,000 based on the rate of 0.5% per annum and for a loan of RMB1,000,000,000 from Ping An Asset Management Co., Ltd based on the rate of 0.6% per annum.

^^ Capital Securities provided the underwriting service for the issuance of corporate bonds of RMB1,000,000,000 (see note 20). The underwriting service fee was based on 0.3% of the principal amount of the issued corporate bonds.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 24. 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 2020, the Group recognised revenue from the construction services and operating services of RMB1,480,277,000 (six months ended 30 June 2019: RMB1,056,702,000) and RMB303,893,000 (six months ended 30 June 2019: RMB190,661,000), respectively, under service concession arrangements with the local governments in the PRC (see note 14). All the concession financial assets of the Group are due from the local governments in the PRC.

As at 30 June 2020, trade receivables of government dismantling tariffs in relation to the licenses and franchises for the treatment of certain waste electric and electronic products were RMB534,498,000 (31 December 2019: RMB579,945,000).

As at 30 June 2020, trade receivables due from the local governments in the PRC in relation to the waste management service concession arrangements and other waste management service were RMB584,459,000 (31 December 2019: RMB359,295,000).

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

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 24. RELATED PARTY TRANSACTIONS *(continued)*

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

	Notes	For the six months ended 30 June	
		2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
<b>Sales to related parties:</b>			
Transwaste Canterbury Limited	(a)	61,272	60,266
Pikes Point Transfer Station Limited	(a)	4,699	5,766
Burwood Resource Recovery Park Limited	(b)	3,080	3,208
Midwest Disposals Limited	(a)	2,658	4,528
Waste Disposal Services	(c)	1,944	2,998
		<b>73,653</b>	<b>76,766</b>
<b>Purchases from related parties:</b>			
Transwaste Canterbury Limited	(a)	18,420	16,658
Midwest Disposals Limited	(a)	17,123	18,549
Waste Disposal Services	(c)	6,398	7,359
Pikes Point Transfer Station Limited	(a)	5,891	8,389
Daniels Sharpsmart New Zealand Limited	(a)	1,713	1,831
Burwood Resource Recovery Park Limited	(b)	—	78
		<b>49,545</b>	<b>52,864</b>
<b>Interest income from related parties:</b>			
Shenzhen Guangye Environmental Recycling Energy Limited (深圳廣業環保再生能源有限公司)	(d)	1,370	768

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.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 24. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Short-term benefits	10,365	12,003
Post-employment benefits	34	20
	<b>10,399</b>	<b>12,023</b>

### 25. 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 2020

	Financial assets at fair value through other comprehensive income		
	Equity investments RMB'000	Financial assets at amortised cost RMB'000	Total RMB'000
Equity investments designated at fair value through other comprehensive income	17,869	—	17,869
Concession financial assets	—	3,817,975	3,817,975
Trade receivables	—	1,357,378	1,357,378
Financial assets included in prepayments, other receivables and other assets	—	295,097	295,097
Amounts due from associates	—	66,296	66,296
Pledged deposits	—	40,863	40,863
Cash and cash equivalents	—	2,540,555	2,540,555
	<b>17,869</b>	<b>8,118,164</b>	<b>8,136,033</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### Financial assets (continued)

31 December 2019

	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Total
	Equity investments RMB'000	RMB'000	RMB'000
Equity investments designated at fair value through other comprehensive income	17,918	—	17,918
Concession financial assets	—	2,230,486	2,230,486
Trade receivables	—	1,301,954	1,301,954
Financial assets included in prepayments, other receivables and other assets	—	271,543	271,543
Amounts due from associates	—	60,846	60,846
Pledged deposits	—	60,741	60,741
Cash and cash equivalents	—	1,540,029	1,540,029
	<b>17,918</b>	<b>5,465,599</b>	<b>5,483,517</b>

#### Financial liabilities

30 June 2020

	Derivatives designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	—	1,324,138	1,324,138
Financial liabilities included in other payables and accruals	—	194,168	194,168
Interest-bearing bank and other borrowings	—	8,486,302	8,486,302
Derivative financial instruments	35,860	—	35,860
Notes payable	—	2,116,698	2,116,698
Corporate bonds	—	992,523	992,523
Amount due to a related party	—	1,912	1,912
Lease liabilities	—	1,239,206	1,239,206
	<b>35,860</b>	<b>14,354,947</b>	<b>14,390,807</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 25. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

#### Financial liabilities (continued)

31 December 2019

	Derivatives designated as hedging instruments RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade payables	—	1,108,487	1,108,487
Financial liabilities included in other payables and accruals	—	185,060	185,060
Interest-bearing bank and other borrowings	—	7,330,823	7,330,823
Amount due to a related party	—	1,855	1,855
Notes payable	—	2,080,404	2,080,404
Derivative financial instruments	30,307	—	30,307
Lease liabilities	—	1,238,966	1,238,966
	<u>30,307</u>	<u>11,945,595</u>	<u>11,975,902</u>

### 26. 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 2020

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	—	—	17,869	17,869

As at 31 December 2019

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through other comprehensive income	—	—	17,918	17,918

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

30 JUNE 2020

### 26. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

**Fair value hierarchy** *(continued)*

**Liabilities measured at fair value:**

*As at 30 June 2020*

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Financial liabilities				
Derivative financial instruments	—	35,860	—	35,860

*As at 31 December 2019*

	Quoted prices in active markets (Level 1) <i>RMB'000</i>	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i>	Significant unobservable inputs (Level 3) <i>RMB'000</i>	Total <i>RMB'000</i>
Financial liabilities				
Derivative financial instruments	—	30,307	—	30,307

### 27. EVENT AFTER THE REPORTING PERIOD

On 12 August 2020, the New Zealand government placed a higher level alert due to the reappearance of the covid-19 in New Zealand. However, the segment in New Zealand continues to operate under the current alert level.

### 28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial information were approved and authorised for issue by the board of directors on 24 August 2020.

# 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 2020, none of the directors of the Company (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 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 2020, the following shareholders of the Company (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. As such, Beijing Capital Group 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. Therefore, Beijing Capital Group 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 2020 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 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 2020.

### 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

There has been no further change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the Company's 2019 annual report.

### AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely, Dr. Chan Yee Wah, Eva, Mr. Pao Ping Wing and Mr. Cheng Kai Tai, Allen. Dr. Chan Yee Wah, Eva has been appointed as the chairlady of the Audit Committee. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2020 with the management.

In addition, the Group's external auditors (the "Auditors") performed an independent review of the interim financial information for the six months ended 30 June 2020 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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