CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司

(FORMERLY KNOWN AS NEW ENVIRONMENTAL ENERGY HOLDINGS LIMITED 新環保能源控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the "Board") of Capital Environment Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2015.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**446,854**	273,202
Cost of sales		**(360,150)**	(224,644)
Gross profit		**86,704**	48,558
Other income, gains and losses	*5*	**1,517**	581
Administrative expenses		**(68,626)**	(46,839)
Gain on fair value change of embedded derivatives		**–**	16,150
Gain (loss) on fair value change of warrants		**79**	(33,298)
Share of results of an associate		**5,277**	6,561
Finance costs	*6*	**(42,798)**	(25,180)
Loss before tax		**(17,847)**	(33,467)
Income tax credit	*7*	**1,236**	200
Loss for the period	*8*	**(16,611)**	(33,267)

	NOTE	Six months ended 30 June 2015 HK$'000 (unaudited)	2014 HK$'000 (unaudited)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation:			
Exchange difference during the period		**659**	(18,344)
Exchange difference arising from an associate during the period		**13**	(3,603)
Other comprehensive income (expense) for the period		**672**	(21,947)
Total comprehensive expense for the period		**(15,939)**	(55,214)
(Loss) profit for the period attributable to:			
Owners of the Company		**(20,724)**	(39,913)
Non-controlling interests		**4,113**	6,646
		(16,611)	(33,267)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(20,645)**	(59,985)
Non-controlling interests		**4,706**	4,771
		(15,939)	(55,214)
			(restated)
Loss Per Share	*10*		
Basic		**HK(0.36) cents**	HK(0.71) cents
Diluted		**HK(0.36) cents**	HK(0.80) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

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

	NOTE	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
Non-current liabilities			
Deferred income		**41,125**	42,805
Borrowings	*17*	**614,331**	636,919
Deferred tax liabilities		**13,848**	10,435
		669,304	690,159
		676,601	692,540
Capital and reserves			
Share capital		**473,150**	473,150
Reserves		**(4,906)**	15,739
Equity attributable to owners of the Company		**468,244**	488,889
Non-controlling interests		**208,357**	203,651
		676,601	692,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

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

At 30 June 2015, the Group's current liabilities exceeded its current assets by approximately HK$959,706,000. In preparing the condensed consolidated financial statements, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the Company has completed the rights issue on 3 July 2015 with net proceeds amounted to approximately HK$2,114,346,000 (Note 19).

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and revised HKFRSs effective in the current period

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

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

Annual Improvements to HKFRSs 2010-2012 Cycle

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

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

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

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

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

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

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

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

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

Annual Improvements to HKFRSs 2011-2013 Cycle

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

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

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

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

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

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

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2016

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

3. SEGMENT INFORMATION

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

4. REVENUE

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

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

5. OTHER INCOME, GAINS AND LOSSES

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

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Borrowings	**32,655**	17,192
Convertible bonds *(Note 18)*	**6,750**	7,057
Convertible notes	**–**	931
Bank charges	**3,393**	–
	42,798	25,180

7. INCOME TAX CREDIT

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

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

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

8. LOSS FOR THE PERIOD

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

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

Note:

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

9. DIVIDEND

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

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purpose of basic loss per share for the period attributable to owners of the Company	**(20,724)**	(39,913)
Effect of dilutive potential ordinary shares *(Note)*:		
Convertible bonds	**–**	(9,093)
Convertible notes	**–**	778
Loss for the purpose of diluted loss per share for the period attributable to owners of the Company	**(20,724)**	(48,228)

Number of shares

	2015	2014
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	**5,727,486**	5,635,655
Effect of diluted potential ordinary shares *(Note)*:		
Convertible bonds	**–**	371,679
Convertible notes	**–**	20,289
Weighted average number of ordinary shares for the purpose of diluted loss per share	**5,727,486**	6,027,623

Note:

The weighted average numbers of ordinary shares for the purposes of basic and diluted loss per share have been adjusted for the bonus element of the rights issue as details in Note 19. The weighted average number of ordinary shareholders for six months ended 30 June 2014 was restated retrospectively.

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

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

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

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

12. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

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

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC (“Grantors”) in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, and operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods.

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

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

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

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

Pursuant to the service concession agreements, the Group is required to surrender these waste treatment and waste-to-energy plants to the Grantors at a specified level of serviceability at the end of the respective service concession periods. As at 30 June 2015, a provision of approximately HK$1,000,000 (as at 31 December 2014: approximately HK$1,000,000) (see Note 16(c)) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

13. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

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

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

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

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

* *For identification purposes only*

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

14. TRADE RECEIVABLES

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

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

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

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

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

15. INVENTORIES

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

16. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS/PROVISIONS

(a) Trade payables

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

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

(b) Other payables and accruals

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

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

(c) Provisions

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

* *For identification purposes only*

17. BORROWINGS

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

(i) During the year ended 31 December 2014, the Group was granted a bank facility by the Industrial and Commercial Bank of China for approximately HK$125,000,000. A total of approximately HK$90,431,000 was drawn up to 31 December 2014. During the interim period, approximately HK$14,139,000 was further drawn from the facility. The balance was pledged with the Group's operation right of Beijing Plant. It carries an interest rate at PRC benchmark rate per annum.

(ii) In May 2015, the Agricultural Bank of China granted a bank facility to the Group for approximately HK$375,000,000. Approximately HK$362,843,000 has been drawn up to the period end date. The balance is secured by a corporate guarantee from Beijing Capital Group Co., Ltd. and carries a fixed rate at 3.90% per annum.

(iii) During the period, Huaian Rural Commercial Bank has further granted a total of approximately HK$31,250,000 to the Group. With the facilities previously granted by Huaian Rural Commercial Bank to Group, the total bank facilities available to the Group was approximately HK$111,250,000 as at 30 June 2015. Approximately HK$96,010,000 was drawn as at period end and the balance was secured by the prepaid lease payment of the Group located in Jiangsu Huaian. The loan carries an interest rate at PRC benchmark rate per annum.

(iv) In March 2015, Beijing Capital (HK) Limited ("Beijing Capital (HK)") has granted a facility of approximately HK$1,625,000,000 to the Group and no drawings have been made from this facility as at 30 June 2015.

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

18. CONVERTIBLE BONDS

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

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

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

At 30 June 2015 and 31 December 2014, Convertible Bonds with a principal amount of RMB61,512,000 (approximately HK$78,000,000) remained outstanding with Beijing Capital (HK). On 10 August 2015, Beijing Capital (HK) has converted all the outstanding Convertible Bonds into ordinary shares of the Company (Note 19).

19. EVENTS AFTER THE END OF REPORTING PERIOD

Rights issue

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

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

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

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

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

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

Conversion of the Convertible Bonds

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND FINANCIAL REVIEW

Business Review

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

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

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

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

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

Business Prospects

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Overview

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

Waste Treatment and Waste-to-energy Business

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

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

Administrative Expenses

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

Finance Costs

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

Financial Position

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

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

Financial Resources

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

Borrowings

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

Foreign Exchange Exposure

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

Charges on Assets

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

Capital Commitments

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

Contingent Liabilities

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

Employment Information

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited during the period under review.

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, internal controls and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2015 with the management.

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

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on both the websites of the Company (www.cehl.com.hk) and of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 2015 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
Capital Environment Holdings Limited
Yu Changjian
Chairman

Hong Kong, 17 August 2015

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Yu Changjian, Mr. Cao Guoxian, Mr. Liu Xiaoguang and Mr. Shen Jianping; and three independent non-executive directors; namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva.