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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3989)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*4*	**361,499**	446,854
Cost of sales		**(282,461)**	(360,150)
Gross profit		**79,038**	86,704
Other income, gains and losses	*5*	**8,985**	1,517
Administrative expenses		**(82,864)**	(68,626)
Gain on fair vale change of warrants		**–**	79
Share of results of associates		**2,020**	5,277
Finance costs	*6*	**(25,516)**	(42,798)
Loss before tax		**(18,337)**	(17,847)
Income tax (expense) credit	*7*	**(6,772)**	1,236
Loss for the period	*8*	**(25,109)**	(16,611)

	NOTE	Six months ended 30 June **2016** ***HK$'000*** **(unaudited)**	 2015 *HK$'000* (unaudited)
Other comprehensive (expense) income:			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation:			
Exchange difference arising during the period		**(48,296)**	659
Exchange difference arising from associates during the period		**(2,288)**	13
Item that may be subsequently reclassified to profit or loss:			
Fair value loss on available-for-sale investments		**(33,494)**	–
Other comprehensive (expense) income for the period		**(84,078)**	672
Total comprehensive expense for the period		**(109,187)**	(15,939)
(Loss) profit for the period attributable to:			
Owners of the Company		**(25,967)**	(20,724)
Non-controlling interests		**858**	4,113
		(25,109)	(16,611)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(106,320)**	(20,645)
Non-controlling interests		**(2,867)**	4,706
		(109,187)	(15,939)
LOSS PER SHARE	*10*		
Basic		**HK(0.27) cents**	HK(0.36) cents
Diluted		**HK(0.27) cents**	HK(0.36) cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	**30 June 2016 *HK$'000* (unaudited)**	31 December 2015 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**136,764**	121,472
Intangible assets		**477,934**	411,151
Goodwill		**21,035**	21,035
Prepaid lease payments		**84,994**	87,637
Amounts due from grantors for contract work	*11*	**1,317,023**	1,155,168
Available-for-sale investments		**71,359**	103,207
Interests in associates		**116,152**	114,372
Deposits paid for construction of infrastructure in service concession arrangements	*12*	**68,008**	63,043
Deposits, prepayments and other receivables		**56,802**	65,244
Deferred tax assets		**10,365**	11,475
Amount due from an associate		**7,254**	–
		2,367,690	2,153,804
Current assets			
Inventories	*14*	**18,659**	31,137
Trade receivables	*13*	**400,659**	317,560
Deposits, prepayments and other receivables		**120,306**	82,262
Amounts due from grantors for contract work	*11*	**74,859**	52,742
Prepaid lease payments		**1,626**	1,997
Amount due from an associate		**42,082**	42,919
Bank balances and cash		**924,319**	1,201,352
		1,582,510	1,729,969
Assets classified as held for sale	*15*	**308,310**	308,037
		1,890,820	2,038,006
Current liabilities			
Trade payables	*16(a)*	**82,882**	25,934
Other payables and accruals	*16(b)*	**171,559**	156,613
Provisions		**936**	955
Deferred income		**1,638**	1,671
Taxation payable		**40,702**	41,304
Borrowings	*17*	**450,607**	458,723
		748,324	685,200
Liabilities associated with assets classified as held for sale	*15*	**135,101**	132,964
		883,425	818,164
Net current assets		**1,007,395**	1,219,842
Total assets less current liabilities		**3,375,085**	3,373,646

	NOTE	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
Non-current liabilities			
Deferred income		**44,111**	45,585
Borrowings	*17*	**560,052**	479,452
Deferred tax liabilities		**26,602**	21,664
		630,765	546,701
		2,744,320	2,826,945
Capital and reserves			
Share capital		**975,315**	975,315
Reserves		**1,517,371**	1,623,691
Equity attributable to owners of the Company		**2,492,686**	2,599,006
Non-controlling interests		**251,634**	227,939
		2,744,320	2,826,945

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 (the "Listing Rules").

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 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2015.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements

The directors of the Company consider that the application of these amendments has had no material effect on the amounts recognised in the Group's condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Provision of construction services under service concession arrangements	**117,893**	146,821
Provision of operation services under service concession arrangements	**12,643**	23,183
Effective interest income on amounts due from grantors for contract work	**50,529**	43,124
Provision of dismantling services	**171,044**	203,344
Provision of kitchen waste handling services	**1,612**	–
Electricity tariff	**6,588**	26,636
Consultancy fee income	**1,190**	3,746
	361,499	446,854

5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Bank interest income	**6,281**	635
Interest income on amount due from an associate	**1,256**	738
Total interest income	**7,537**	1,373
Loss on disposal of available-for-sale investments	**(273)**	–
Loss on disposal of property, plant and equipment	**–**	(22)
Refund of value-added-tax ("VAT")	**1,510**	–
Others	**211**	166
	8,985	1,517

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interests on:		
Borrowings wholly repayable within five years	**24,446**	32,655
Convertible bonds *(note 18)*	**–**	6,750
Bank and other charges	**1,070**	3,393
	25,516	42,798

7. INCOME TAX EXPENSE (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% for both periods.

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current income tax:		
PRC Enterprise Income Tax	**351**	3,009
Overprovision in prior year	**–**	(930)
	351	2,079
Deferred tax:		
Current period *(Note)*	**6,421**	(3,315)
	6,772	(1,236)

Note:

During the six months ended 30 June 2016, deferred tax expense has been recognised for the taxable temporary differences associated with provision of construction services and operation services under services concession arrangements.

8. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Directors' and chief executive's emoluments	**450**	2,790
Staff's salaries and other benefits	**27,931**	27,550
Retirement benefit scheme contribution	**4,182**	3,179
Total staff costs	**32,113**	30,729
Auditor's remuneration	**719**	792
Depreciation of property, plant and equipment	**6,966**	7,139
Amortisation of prepaid lease payments	**1,116**	859
Rental expenses	**5,066**	5,960
Amortisation of intangible assets *(Note)*	**7,761**	14,162

Note:

During the six months ended 30 June 2016, approximately HK$7,761,000 and HK$nil (for the six months ended 30 June 2015: approximately HK$13,887,000 and approximately HK$275,000) of amortisation of intangible assets were included in cost of sales and administrative expenses respectively.

9. DIVIDEND

No dividends were paid, declared or proposed during interim period. 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	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the purposes of basic and diluted loss per share for the period attributable to owners of the Company	**(25,967)**	(20,724)

	2016	2015
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**9,753,158**	5,727,486

The denominators used are the same as those detailed above for basic and diluted loss per share.

11. 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$117,893,000 (for the six months ended 30 June 2015: HK$146,821,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK$12,643,000 (for the six months ended 30 June 2015: HK$23,183,000).

The Group also recognised the effective interest income on amounts due from grantors for contract work of approximately HK$50,529,000 (for the six months ended 30 June 2015: HK$43,124,000) as revenue. The effective interest rates ranged from 3.6% to 13.6% during the six months ended 30 June 2016 (during the six months ended 30 June 2015: ranged from 3.6% to 13.6%).

During the current interim period, the Group recognised on-grid electricity tariff of approximately HK$6,588,000 (for the six months ended 30 June 2015: HK$26,636,000) 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 2016, a provision of approximately HK$936,000 (as at 31 December 2015: HK$955,000) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions.

12. 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 an 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$46,860,000 (as at 31 December 2015: approximately HK$47,792,000), net of impairment loss. The Group has submitted few disputes with Urban Construction Institute to the 南昌仲裁委員會 (Nanchang Arbitration Committee*) in prior years.

During the year ended 31 December 2015, the Group has lodged an appeal (the "Appeal") to the Nanchang Arbitration Committee and requested a cash refund for all the deposits of approximately HK$151,520,000 (approximately RMB129,500,000) paid to Urban Construction Institute and the relevant interest loss of approximately HK$50,458,000 (approximately RMB43,125,000).

On 15 January 2016, the Appeal has been released unconditionally upon another appeal was made by Urban Construction Institute to 江西省高級人民法院 (High Court of Jiangxi Province*) (the "High Court"), requesting the Group to repay compensation for the expenses it had incurred. On 7 March 2016, a court order was received from the High Court to attend a hearing and requested the Group and Urban Construction Institute to provide supporting documents for the appeal.

As at 30 June 2016, the final resolution from the High Court is not yet released and the amount of deposits refundable from Urban Construction Institute is yet to be finalised.

The Group has not made further impairment on such deposits during the six months ended 30 June 2016, after taking into account the legal opinion provided by an independent lawyer.

* *For identification purposes only*

13. TRADE RECEIVABLES

Trade receivables

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

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts.

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**65,606**	77,289
91 – 180 days	**46,065**	87,602
181 – 360 days	**149,232**	135,649
Over 360 days	**139,756**	17,020
	400,659	317,560

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 2016, included in the Group's trade receivable balance is government dismantling tariffs provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately HK$282,192,000 (as at 31 December 2015: approximately HK$149,288,000), 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 customers are government authorities.

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$15,540,000 (as at 31 December 2015: approximately HK$8,189,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after period end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

14. INVENTORIES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Raw materials	**10,138**	2,792
Finished goods	**8,521**	28,345
	18,659	31,137

15. ASSETS CLASSIFIED AS HELD FOR SALE

On 12 November 2015, the Group has entered into a sales and purchase agreement regarding the disposal of 40% equity interest of Beijing Yiqing Biomax Green Energy Park Co., Ltd. ("BJ Yiqing Biomax") (the "Disposal"), one of the subsidiaries of the Group, which is engaged in a waste treatment project in Beijing Dongcun at the total consideration of approximately HK$43,852,000 (approximately RMB37,479,000) to 北京環境衛生工程集團有限公司 (Beijing Environment Sanitation Engineering Group Company Limited*) (the "BJ Environment Sanitation") which is also the 40% equity interest shareholder of BJ Yiqing Biomax.

During the year ended 31 December 2015, the Group and the BJ Environment Sanitation obtained approval from the local authorities for the Disposal. On 29 January 2016, the sale proceeds for the Disposal was received by the Group and recognised as other payable as at 30 June 2016. The Disposal is expected to be completed in the second half of 2016 and the 40% of equity interest would be transferred to the BJ Environment Sanitation when the Group and the BJ Environment Sanitation complete share transfer registration.

The net proceeds are expected to be equivalent to approximately the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

* *For identification purposes only*

Major classes of assets and liabilities of BJ Yiqing Biomax as at the end of the current interim period are as follows:

	HK$'000
Property, plant and equipment	251
Prepaid lease payments	2,013
Amount due from grantor for contract work	289,674
Deposit paid for construction of infrastructure in service concession arrangements	1,639
Deferred tax assets	2,425
Deposits, prepayments and other receivables	7,689
Bank balances and cash	4,619
Assets classified as held for sale	308,310
Trade payables	7,069
Other payables and accruals	48,838
Bank borrowings	79,194
Liabilities associated with asset classified as held for sale	135,101

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.

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 90 days	**66,690**	15,360
91 – 180 days	**1,553**	611
181 – 360 days	**4,656**	–
Over 360 days	**9,983**	9,963
	82,882	25,934

(b) Other payables and accruals

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
	(unaudited)	(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)*	**1,325**	1,506
Consideration payable for acquisition of 北京藍潔利德環境科技有限公司 (Beijing Lanjie Lide Environment Holding Limited*)	**1,755**	–
Consideration payable for acquisition of 浙江卓尚環保能源有限公司 (Zhejiang Zhuoshang Environmental Energy Company Limited*)	**–**	14,916
Consideration payable for acquisition of 高安意高再生資源熱力發電有限公司(Gaoan Eacoon Renewable Resources for Thermal Power Generation Co. Ltd.*)	**1,404**	–
Accrued payroll	**832**	2,647
Accrued professional fee	**10,910**	292
Accrued purchases	**69,376**	92,879
Sale proceeds received in advance for the disposal of BJ Yiqing Biomax (note 15)	**43,852**	–
Receipts in advance	**1,079**	1,908
Business tax payable	**1,463**	1,492
VAT payable	**16,029**	13,615
Others	**23,534**	27,358
	171,559	156,613

Note:

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

17. BORROWINGS

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

(i) In January 2016, the Group entered into a bank loan agreement with the China Construction Bank for a loan of approximately HK$95,067,000, repayable in January 2026. The balance is secured by corporate guarantees from two of the Group's subsidiaries and the BOT contract that gives right to the Group to receive waste treatment fee in Yangzhou and carries an interest rate at PRC Benchmark Leading Rate per annum.

* *For identification purposes only*

(ii) In March 2016, the Group entered into a bank loan agreement with the China Citic Bank for a loan of approximately HK$59,417,000, repayable in November 2016. The balance is secured by a corporate guarantee from a Group's subsidiary and carries a fixed rate at 4.35% per annum.

(iii) In March 2016, the Bank of Jiangsu granted a bank facility to the Group for approximately HK$273,318,000, repayable in May 2017. The whole facility has been drawn up to the period end date. The balance is unsecured and carries a fixed rate at 4.22% per annum.

(iv) In June 2016, the Group entered into an agreement with a former shareholder of a subsidiary for an advance of approximately HK$30,897,000, repayable in June 2031. The balance is unsecured and carries a fixed rate at 1.20% per annum.

(v) During the period ended 30 June 2016, the Group has drawn down in aggregate of approximately HK$47,534,000 from Huaian Rural Commercial Bank. The balance was secured by the prepaid lease payment of the Group located in Jiangsu Huaian. The balance carries an interest rate at PRC Benchmark Lending Rate per annum and the amount will be matured after one year from the date of drawn down.

During the current interim period, the Group repaid borrowings of approximately HK$421,160,000 (during the six months ended 30 June 2015: HK$185,200,000).

18. CONVERTIBLE BONDS

On 10 August 2015, Beijing Capital (HK) Limited has converted all the outstanding convertible bonds into ordinary shares of the Company. At 30 June 2016 and 31 December 2015, no convertible bonds remained outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The year 2016 is the beginning year of the “13th Five-Year Plan” of China. The incorporation of “green” into the new development concept by the state further indicates the country’s emphasis on environmental issues and provides the direction for future development at the same time. Premier Li Keqiang emphasized the importance of green and environmental protection once again in the Report on the Work of the Government in March and pointed out that green energy and environmental protection are the main contents of “new economy” development and that green development would become the main theme of future development. 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.

In view of the broad prospects and great potential in the environmental protection industry, driven by talents and technology and relying on the relevant favorable national policies, the Group will continue to leverage its comprehensive strength and explore new opportunities for business development by diversified means such as BOT, TOT, BOO as well as acquisition and merger. Benefiting from the support of and the broad development prospects of environmental protection industry brought by national policies, combined with the strong backing from its parent company, Beijing Capital Group and the comprehensive strength and resources of the Group, the management are confident of the future development of the Group.

During the period under review, the Group’s projects continued to progress steadily. Based on the favorable national policies and growing market demand, the Group has made remarkable achievements in operating results, market expansion, internal management, fund raising and the extension of its business chain. Leveraging on its leading technology in environmental protection and alternative energy as well as its 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.

With the increase of business lines, the Group set up Beijing-Tianjin-Hebei investment center and hazardous waste treatment business division in the first half of the year 2016, so as to strengthen the synergy and efficiency of various projects, and to promote intra-regional project investment. New investment modes have been explored and the new framework is getting further optimized on the basis of strengthening the regional investment model.

The Group actively explored business opportunities in all areas of environmental protection and alternative energy industry to keep up with its rapid development. As at 30 June 2016, the Group secured a total of 27 environmental protection and alternative energy projects (including 14 waster-to-energy projects, 3 waste landfill projects, 3 anaerobic digestion technology treatment projects, 2 waste collection, storage and transportation projects, 2 dismantling waste electronic appliance projects and 3 biomass resource electricity generation projects) with a total investment of approximately RMB9.1 billion. The facilities are designed with an aggregate annual household waste processing capacity of approximately 7.53 million tonnes and annual electrical and electronic equipment dismantling volume of approximately 3.20 million units.

On 16 March 2015, the Group proposed to dispose the 40% equity interest in Beijing Dongcun Project Company ("Proposed Disposal"). The Proposed Disposal was 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 has obtained approvals from State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and other competent authorities. As at 30 June 2016, the Group has received the consideration for the equity transfer and is going through the related formalities such as changes in industrial and commercial registration. The reserve price for the 40% equity interest in Beijing Dongcun Project Company was determined with reference to (among others) the valuation report of Beijing Dongcun Project Company 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, was put into commercial trial operation after obtaining approval from the government on 4 May 2015, marking the commencement of commercial trial operations of the first household waste incineration power generation project in Jiangxi Province. Currently, Nanchang Project operates stably and the completion acceptance of environmental protection is in public notification, which ended in August 2016. The project will be transferred into commercial operation by the end of October 2016.

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 changes of industrial and commercial registration of Huizhou project in Guangdong have 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. The project had completed site construction and was put into trial operation by the end of 2015.

In 2014, the Group acquired the solid waste landfill project in Huludao, Liaoning province, which requires a total investment of RMB93.4 million and has a waste treatment capacity of 424 tonnes per day and a minimum guaranteed treatment capacity of 380 tonnes per day. The project has completed site construction and is under commissioning.

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 million and has been put into trial operation.

Jiangxi Gaoan Waste Incineration Project, Guizhou Duyun Waste Incineration Project and Hangzhou Xiaoshan Kitchen Waste Project have commenced their construction in the first half of 2016.

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 Company 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.

Riding on its extensive experience, the Group will make thorough preparation for every project under development and push forward the construction of new projects to boost revenue growth. With the completion and operation of the projects acquired in previous years and the smooth progress of the projects under construction, there will bring new profit drivers to the Group.

Financial Review

Overview

The net loss attributable to the owners of the Company amounted to approximately HK$26,000,000 for the period under review, as compared to approximately HK$20,700,000 for the same period last year. The increase in the loss was mainly attributable to the professional fees in the aggregate amount of approximately HK$17,500,000 resulted from the acquisition of the 51% shares of BCG NZ Investment Holding Limited ("the Acquisition"). Excluding such impact, the actual net loss was HK$8,500,000.

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$361,500,000, representing a decrease of approximately 19.1% as compared to that of the same period last year.

For the period under review, the Group's gross profit margin reached approximately 21.9%, as compared to approximately 19.4% for the same period last year.

Administrative Expenses

The Group's administrative expenses increased by approximately 20.7% to approximately HK$82,900,000 during the period under review.

The increase of administrative expenses was mainly attributable to the increase in professional fees resulted from the Acquisition. During the period under review, the increase in professional fee resulted from the Acquisition was approximately HK$17,500,000.

Finance Costs

Finance costs decreased by approximately 40.4% to approximately HK$25,500,000, as compared to the figure for the same period last year. The decrease was mainly attributable to the repayment of certain borrowings and the decrease in the interest on borrowings.

Financial Position

As at 30 June 2016, the Group had total assets amounting to approximately HK$4,258,500,000, with approximately HK$2,492,700,000 of net assets attributable to the owners of the Company. The gearing ratio, which is calculated on the basis of total liabilities over total assets, increased from approximately 0.33 as at 31 December 2015 to 0.36 as at 30 June 2016. The current ratio, which is calculated on the basis of current assets over current liabilities, decreased from approximately 2.49 as at 31 December 2015 to approximately 2.14 as at 30 June 2016.

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 shareholder and banks. As at 30 June 2016, the Group had cash and bank balances of approximately HK$924,300,000, representing a decrease of approximately HK$277,100,000 as compared to approximately HK$1,201,400,000 as at the end of 2015. The decrease was mainly due to the payment in respect of the infrastructure work under service concession arrangements, expenditure on daily operation and repayment of debts during the period under review. Currently, most of the Group's cash is denominated in HK dollars and RMB.

Borrowings

As at 30 June 2016, the Group had outstanding borrowings of approximately HK$1,010,700,000, representing an increase of approximately HK$72,500,000 as compared to approximately HK$938,200,000 as at the end of 2015. The borrowings comprised secured loans of approximately HK$711,100,000 and unsecured loans of approximately HK$299,600,000. The borrowings are denominated in RMB. Approximately 41.4% and 58.6% 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 does not expect future currency fluctuations to materially impact the Group's operations. During the period, neither formal hedging policies nor instruments have been adopted or applied by the Group 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 2016, the revenue under the Group's service concession arrangements and the prepaid lease payments of HK$40,800,000 were pledged to secure banking facilities of the Group.

Capital Commitments

As at 30 June 2016, the Group had capital commitments of approximately HK$250,600,000 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 2016, the Group provided guarantees of approximately HK$22,800,000 in favour of two banks in respect of banking facilities granted to an associate.

Employment Information

As at 30 June 2016, the Group had about 1,157 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.

Overview of the New Zealand Project

On 26 November 2015, the Company announced to acquire 51% shares of BCG NZ Investment Holding Limited ("BCG NZ Group") at the final purchasing consideration of US$234.4 million. BCG NZ Group has over a century of continuing operation and is the largest waste management service provider in New Zealand with an over 30% market share and has established a national network of vertically integrated local waste systems. BCG NZ Group provides comprehensive waste management services, ranging from collection, recycling, disposal of waste to hazardous and industrial waste treatment and serves more than 200,000 customers in New Zealand.

The Acquisition is not yet completed as at the date of this announcement and is expected to be completed in early September of 2016.

The acquisition allows the Group to expand its geographical reach to New Zealand, which enhanced the market position of the Group, so as to promote the brand into overseas markets. By penetrating into the whole business line of the Group, the advantages of New Zealand Project will promote the Group to form a unique business model in solid waste industry, and finally generate synergistic effect for the Group and strengthen its core market competitiveness. In terms of overall business model, market expansion, collection and storage & transportation system, technological process, treatment technology, operations management and customer service, the Group can draw on the experience of New Zealand Project into the whole business line of the Group so as to achieve complementary advantages and receive increment of value. Finally, the Acquisition will help the Group to increase its shares in the domestic market and consolidate the leading position of the Group in the environmental industry.

Looking forward, the Group will further consolidate its leading position and international reputation in the environmental industry, as well as enhance its comprehensive capability in the domestic solid waste treatment industry, so as to lay a more solid foundation for the Group to realize its target of becoming China's leading supplier in providing integrated waste treatment solution and environmental protection infrastructure services.

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 2016 (six months ended 30 June 2015: 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 2016.

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 2016 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 2016 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 2016 will be dispatched to shareholders and published on the aforesaid websites in due course.

By order of the Board of
Capital Environment Holdings Limited
Wang Hao
Chairman

Hong Kong, 30 August 2016

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