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博奇
BOQI

China Boqi Environmental (Holding) Co., Ltd.
中國博奇環保(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2377)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL AND OPERATION HIGHLIGHTS

For the six months ended 30 June 2018, the revenue of the Group amounted to RMB722 million, representing an increase of 54.1% as compared to the same period last year.

For the six months ended 30 June 2018, the gross profit of the Group amounted to RMB196 million and the gross profit margin of the Group was 27.1%, representing an increase of 48.0% in gross profit and a decrease of 1.1 percentage points in gross profit margin as compared to the same period last year.

For the six months ended 30 June 2018, the net profit of the Group amounted to RMB269 million and the net profit margin of the Group was 37.3%, representing an increase of 426.0% in net profit and 26.4 percentage points in net profit margin as compared to the same period last year.

If excluding the estimated fair value gain on the Class B and Class C shares from the net profit, the adjusted net profit for the six months ended 30 June 2018 was RMB135 million and the net profit margin was 18.8%, representing an increase of 80.9% in the adjusted net profit and 2.8 percentage points in the adjusted net profit margin as compared to the same period last year, respectively.

The board (the "**Board**") of directors (the "**Directors**") of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**") together with the comparative figures for the same period in 2017. The audit committee of the Company (the "**Audit Committee**") has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018 and 2017

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**721,722**	468,396
Cost of sales and services		**526,106**	(336,239)
Gross profit		**195,616**	132,157
Other income and other gains and losses	*4*	**27,814**	4,094
Selling and distribution expenses		**(10,980)**	(7,828)
Administrative expenses		**(50,507)**	(37,550)
Share of profit of an associate		**14,941**	9,823
Finance costs	*5*	**(2,941)**	(3,924)
Change in fair value of convertible ordinary shares		**133,541**	(23,753)
Listing expenses		**(3,319)**	(5,908)
Profit before tax		**304,165**	67,111
Income tax expense	*6*	**(35,127)**	(15,962)
Profit for the periods	*7*	**269,038**	51,149
Other comprehensive income for the periods:			
Change in fair value of investment measured at fair value through other comprehensive income		**–**	18,000
Tax effect from change in fair value of investment measured at fair value through other comprehensive income		**–**	(2,700)
		–	15,300

	Notes	For the six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Audited)
Total comprehensive income for the periods		**269,038**	66,449
Profit for the periods attributable to:			
Owners of the Company		**269,713**	51,149
Non-controlling interests		**(675)**	–
		269,038	51,149
Total comprehensive income for the periods attributable to:			
Owners of the Company		**269,713**	66,449
Non-controlling interests		**(675)**	–
		269,038	66,449
Earnings per share			
– Basic (RMB)	*8*	**0.34**	0.11
– Diluted (RMB)	*8*	**0.15**	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018 and 31 December 2017

	Notes	**As at 30 June 2018** *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**80,889**	67,021
Investment properties		**12,665**	12,982
Intangible assets		**418,582**	425,140
Receivables under service concession arrangement-non-current	*10*	**442,555**	384,565
Investment in an associate		**85,039**	70,098
Long-term investment measured at fair value through other comprehensive income		**9,000**	9,000
Amounts due from related parties – non-current	*15*	**139,690**	158,014
Deferred tax assets		**17,339**	21,995
Total non-current assets		**1,205,759**	1,148,815
Current assets			
Receivables under service concession arrangement-current	*10*	**49,409**	23,519
Inventories		**23,868**	25,429
Short-term investment measured at fair value through profit or loss		**161,002**	–
Contract assets	*11*	**150,324**	95,348
Trade and notes receivables	*12*	**616,017**	667,253
Prepayments, deposits and other receivables		**124,535**	70,176
Amounts due from related parties-current	*15*	**247,452**	70,405
Pledged bank deposits		**37,463**	54,383
Bank balances and cash		**629,884**	689,354
Total current assets		**2,039,954**	1,695,867

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017 RMB'000 (Audited)
Current liabilities			
Trade and notes payables	*13*	**684,102**	720,727
Other payables, deposits received and accrued expenses		**196,309**	353,692
Contract liabilities	*11*	**86,877**	79,505
Income tax payable		**34,356**	17,719
Other tax liabilities		**34,138**	32,385
Bank borrowings		**100,000**	100,000
Amounts due to related parties	*15*	**6,556**	5,496
Total current liabilities		**1,142,338**	1,309,524
Net current assets		**897,616**	386,343
Total assets less current liabilities		**2,103,375**	1,535,158
Non-current liabilities			
Bank borrowings		**27,000**	27,000
Class B and Class C convertible ordinary shares	*16*	**–**	755,129
		27,000	782,129
Net assets		**2,076,375**	753,029
Capital and reserves			
Share capital	*14*	**67**	32
Reserves		**2,076,394**	752,408
Equity attributable to owners of the Company		**2,076,461**	752,440
Non-controlling interests		**(86)**	589
		2,076,375	753,029

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital *RMB'000*	Treasury shares *RMB'000*	Merger reserve *RMB'000*	Other reserve *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Retained profits *RMB'000*	Investment revaluation reserve *RMB'000*	Sub-total *RMB'000*	Non-controlling Interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018 (Audited)	**32**	**(2)**	**371,500**	**(128,167)**	**(175,262)**	**174,593**	**504,141**	**5,605**	**752,440**	**589**	**753,029**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**269,713**	**–**	**269,713**	**–**	**269,713**
Other comprehensive income for the period, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(675)**	**(675)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**269,713**	**–**	**269,713**	**(675)**	**269,038**
Conversion of Class B convertible ordinary shares to ordinary shares	**8**	**–**	**–**	**–**	**243,274**	**–**	**–**	**–**	**243,282**	**–**	**243,282**
Conversion of Class C convertible ordinary shares to ordinary shares	**13**	**–**	**–**	**–**	**378,293**	**–**	**–**	**–**	**378,306**	**–**	**378,306**
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	**14**	**–**	**–**	**–**	**390,983**	**–**	**–**	**–**	**390,997**	**–**	**390,997**
Exercise of pre-IPO share award scheme	**–**	**1**	**–**	**–**	**18,986**	**–**	**–**	**–**	**18,987**	**–**	**18,987**
Currency translation differences	**–**	**–**	**–**	**18,515**	**–**	**–**	**–**	**–**	**18,515**	**–**	**18,515**
Share-based payment	**–**	**–**	**–**	**–**	**4,221**	**–**	**–**	**–**	**4,221**	**–**	**4,221**
	35	**1**	**–**	**18,515**	**1,035,757**	**–**	**–**	**–**	**1,054,308**	**–**	**1,054,308**
As at 30 June 2018 (Unaudited)	**67**	**(1)**	**371,500**	**(109,652)**	**860,495**	**174,593**	**773,854**	**5,605**	**2,076,461**	**(86)**	**2,076,375**
At 1 January 2017 (Audited)	42	(2)	371,500	(128,167)	58,964	151,220	563,932	(344)	1,017,145	–	1,017,145
Profit for the period	–	–	–	–	–	–	51,149	–	51,149	–	51,149
Other comprehensive income for the period, net of tax	–	–	–	–	–	–	–	15,300	15,300	–	15,300
Total comprehensive income for the period	–	–	–	–	–	–	51,149	15,300	66,449	–	66,449
Redesignation of Class A ordinary shares to Class B convertible ordinary shares	(8)	–	–	–	(201,329)	–	–	–	(201,337)	–	(201,337)
Repurchase of Class A ordinary shares	(2)	–	–	–	(40,103)	–	–	–	(40,105)	–	(40,105)
Share-based payment	–	–	–	–	4,300	–	–	–	4,300	–	4,300
	(10)	–	–	–	(237,132)	–	–	–	(237,142)	–	(237,142)
As at 30 June 2017 (Audited)	32	(2)	371,500	(128,167)	(178,168)	151,220	615,081	14,956	846,452	–	846,452

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2018 and 2017

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(103,561)**	57,463
Cash flows from investing activities		
Placement of pledged bank deposits	**(32,984)**	(82,722)
Withdrawal of pledged bank deposits	**49,904**	211,267
Interest received	**20,494**	4,213
Purchase of property, plant and equipment	**(19,248)**	(14,620)
Proceeds from disposal of property, plant and equipment	**33**	82
Purchase of wealth management products	**(161,002)**	–
Purchase of intangible assets and costs capitalised under service concession arrangements	**(229,007)**	(31,350)
Advance to related parties	**(26,207)**	(53)
Repayment from related parties	**18,323**	1,203
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(379,694)**	88,020
Cash flows from financing activities		
Repayment of bank borrowings	**–**	(278,530)
Interest paid	**(2,941)**	(3,924)
Proceeds from issue of shares	**409,983**	–
Issuance of Class C convertible ordinary shares	**–**	280,459
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**407,042**	(1,995)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(76,213)**	143,488
Effects of exchange rate changes	**16,743**	(4,675)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**689,354**	348,341
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**629,884**	487,154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting issued by the International Accounting Standards Board 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 POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs") the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period the Group has applied for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed financial statements.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IFRS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

The Group has applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments for the first time in the current interim period. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretation. The Group has elected to adopt IFRS 15 using the modified retrospective method and concluded that upon the adoption of IFRS 15, there is no material effect on the opening balance of retained earnings. In addition, the consolidated statement of financial position as at 1 January 2018 was reclassified, resulting in recognition of current contract liabilities amounting to RMB79.5 million, decreases in amounts due to customers for contract work amounting to RMB79.5 million, and in recognition of contract assets amounting to RMB95.3 million and decreases in amounts due from customers for contract work amounting to RMB95.3 million.

The Group has applied IFRS 9 in accordance with the transition provisions as set out in IFRS 9, i.e. applied the classification and measurement requirement (including impairment) retrospectively to instruments that have not been derecognized as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between the carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information. There was no material impact to the opening balance upon the adoption of IFRS 9.

3. REVENUE AND SEGMENT INFORMATION

Revenue is mainly generated from the flue gas desulfurisation and denitrification services through three different models, namely environmental protection facility engineering, operation and maintenance and concession operation. In addition, the Group also provides design service and sewage treatment, which are recorded in others. Revenue is recognised net of sales related taxes.

For the purposes of resources allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision maker ("CODM"), regularly review types of goods or services delivered or provided by focusing on different business models. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

Environmental protection facilities engineering ("EPC"):	project design, procurement of equipment and materials, project construction and equipment installment and testing services
Operation and maintenance ("O&M"):	operation service and regular maintenance service for desulfurisation and denitrification facilities and dust removal facilities
Concession operation ("Build-Operate-Transfer", "BOT", and "Transfer-Operate-Transfer", "TOT"):	construction of infrastructure or acquisition of existing infrastructure from grantor, operation and maintenance of flue gas treatment project for a pre-defined period according to the concession contract and transfer the ownership of the infrastructure to the customer at the end of the period
Others:	design service, sewage treatment, sales of by-products and others

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Segment revenue For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
EPC	**245,778**	132,100	**13,576**	10,137
O&M	**248,620**	189,755	**118,014**	66,954
Concession operation	**214,024**	135,495	**53,365**	46,350
Others	**13,300**	11,046	**10,661**	8,716
Total	**721,722**	468,396	**195,616**	132,157
Unallocated other income and other gains and losses			**27,814**	4,094
Unallocated selling and distribution expenses			**(10,980)**	(7,828)
Unallocated administrative expenses			**(50,507)**	(37,550)
Unallocated share of profit of an associate			**14,941**	9,823
Unallocated finance costs			**(2,941)**	(3,924)
Unallocated change in fair value of convertible ordinary shares			**133,541**	(23,753)
Unallocated listing expenses			**(3,319)**	(5,908)
Profit before tax			**304,165**	67,111

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for each of the reporting period.

Segment profit represents the results of each segment without allocation of corporate items including other income and other gains and losses, selling and distribution expenses, administrative expenses, share of profit of an associate, finance costs, change in fair value of convertible ordinary shares and listing expenses. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

No segment assets and liabilities are presented as the CODM does not regularly review segment assets and liabilities.

Major customers

Revenue from customers during the reporting periods contributing over 10% of the total revenue of the Group are as follows:

		For the six months ended 30 June	
	Segment	**2018**	2017
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Customer A	O&M	**173,295**	91,505
Customer B	Concession operation & O&M	**76,569**	88,054
Customer C	EPC	**73,566**	*

* *Note:* Revenue from those major customers was less than 10% in the relevant period presented.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services.

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of equipment	**166,329**	49,877
Construction service	**122,576**	113,706
Operation and maintenance service	**419,517**	293,767
Others	**13,300**	11,046
	721,722	468,396

Geographical information

The Group primarily operates in the PRC. Substantially all non-current assets and revenue of the Group are located in and generated from the PRC.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest income	**20,494**	4,213
Government grants	**6,572**	3,810
Investment income from short-term investment measured at fair value through profit or loss	**1,002**	–
Rental income, net	**475**	542
Reversal of allowance for trade and notes receivables	**178**	953
Allowance for inventories	**(1,099)**	(484)
Losses on disposal of property, plant and equipment	**10**	(16)
Foreign exchange losses	**(1,074)**	(6,465)
Others	**1,256**	1,541
	27,814	4,094

5. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interest on bank borrowings	**2,941**	3,924

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
PRC enterprise income tax ("EIT")	**30,471**	9,680
Deferred tax	**4,656**	6,282
Total	**35,127**	15,962

The Company and CBEE Holdings Co., Ltd. ("CBEE"), the Company's subsidiary, were incorporated in the Cayman Islands and the British Virgin Islands ("BVI"), respectively. Both entities did not have tax assessable profit in Cayman Islands, BVI or other jurisdiction during the reporting periods.

Pursuant to the Enterprise Income Tax Law (the "EIT Law") effective on 1 January 2008, Beijing Boqi Electric Power SCI-TECH Co., Ltd. (北京博奇電力科技有限公司) ("Beijing Boqi") obtained a "High and New Technology Enterprise" (the "HNTE") in 2008 which Beijing Boqi was entitled to a preferential tax rate of 15% from 2008 to 2010 and could be re-applied every three years; the current active HNTE certificate has an effective date until 5 December 2020.

In October 2015, Shanxi Hejin Boqi Environmental Technology Co., Ltd. (山西河津博奇環保科技有限公司) ("Hejin Boqi") obtained the approval for being eligible as the HNTE for the year ended 31 December 2015 which Hejin Boqi was entitled to a preferential tax rate of 15% for three years.

In November 2016, Jiangxi Jinggangshan Boqi Environmental Technology Co., Ltd. (江西井岡山博奇環保科技有限公司) ("Jinggangshan Boqi") obtained the approval for being eligible as the HNTE for the year ended 31 December 2016 which Jinggangshan Boqi was entitled to a preferential tax rate of 15% from 2016 to 2018.

In December 2017, the desulfurisation program in Shanxi Puzhou Boqi Environmental Technology Co., Ltd. (山西蒲洲博奇環保科技有限公司)("Puzhou Boqi") obtained the approval on the list of preferential income tax for environmental protection, energy saving and water saving projects, which Puzhou Boqi was entitled to a preferential income tax of three years free and three years halves. However, the desulfurisation program in Puzhou Boqi reported losses for the six months ended 30 June 2018 and 2017.

The applicable tax rate of other PRC subsidiaries of the Company was 25% for the six months ended 30 June 2018 (2017: 25%).

According to the relevant tax law in the PRC, dividend distributed to foreign investors out of the profit generated from 1 January 2008 onwards shall be subject to withholding tax at 10% and withheld by the PRC entities, pursuant to Articles 3 and 37 of the EIT Law and Article 91 of its Detailed Rules for the Implementation of the Regulation.

7. PROFIT FOR THE PERIODS

	For the six months ended June 30	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the periods has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' remuneration	**892**	908
Salaries and other benefits	**66,862**	56,075
Contributions to retirement benefits scheme	**5,807**	5,801
Share-based payment expenses	**4,221**	4,300
Total staff costs	**77,782**	67,084
Gross rental income from investment properties	**(1,063)**	(925)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the period (included in other income and other gains and losses)	**588**	383
	(475)	(542)
Cost of inventories recognised as expenses (included in cost of sales and services)	**232,087**	74,579
Depreciation of property, plant and equipment	**5,345**	1,872
Depreciation of investment properties	**317**	317
Amortisation of intangible assets	**19,145**	17,025
Research and development expenses	**4,913**	3,084
Auditor's remuneration	**1,687**	1,012

8. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Earnings:		
Earnings for the purpose of calculating earnings per share (profit for the periods attributable to owners of the Company) – basic and diluted	**269,038**	51,149
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**803,757,748**	457,168,186
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**936,451,392**	759,905,073

9. DIVIDENDS

No interim dividend will be declared in respect of the six months ended 30 June 2018 by the Board (2017: nil).

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

The receivables under service concession arrangement arose from the minimum service charge guaranteed by the power plant was as follows:

	At 30 June 2018	At 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion	**49,409**	23,519
Non-current portion	**442,555**	384,565
	491,964	408,084
Expected collection schedule is analysed as follows:		
Within one year	**49,409**	23,519
More than one year, but not more than two years	**20,519**	17,830
More than two years but not more than five years	**69,737**	60,600
More than five years	**352,299**	306,135
	491,964	408,084

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to considerations from customers for the provision of environmental protection facilities engineering. Contract assets arise when the Group has rights to consideration for completion of such services and not yet billed under the relevant contracts, and their rights are conditioned on factors other than passage of time. Any amount previously recognised as a contract asset are reclassified to trade receivables when such right becomes unconditional other than the passage of time. Remaining rights and performance obligations in a particular contract is accounted for and presented on a net basis, as either a contract asset or a contract liability. If the progress payment exceeds the revenue recognised to date, the Group recognises a contract liability for the difference.

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Recognised and included in the consolidated financial statements as:		
– contract assets	**150,324**	95,348
– contract liabilities	**(86,877)**	(79,505)
	63,447	15,843

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables	**614,518**	632,840
Notes receivables	**32,723**	65,837
Less: Allowance for doubtful debts	**(31,224)**	(31,424)
	616,017	667,253

The Group generally grants credit period between 30 to 90 days which are agreed with each of its trade customers. The extension of credit period to the customers may be granted on a discretionary basis by considering customer type, the current creditworthiness and the customer's financial condition and payment history with the Group.

Aging analysis of trade and notes receivables based on invoice date or notes receiving dates is as follows:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
1–90 days	**209,773**	293,006
91–180 days	**95,811**	72,187
181–365 days	**121,233**	96,524
1–2 years	**139,110**	156,788
2–3 years	**28,621**	37,385
Over 3 years	**21,469**	11,363
	616,017	667,253

13. TRADE AND NOTES PAYABLES

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Trade payables	**630,915**	641,187
Notes payables	**53,187**	79,540
Total	**684,102**	720,727

The credit period on purchases of goods and services is generally 30 to 90 days. The table below sets forth, as at the end of reporting period indicated, the aging analysis of the trade and notes payables:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Less than 90 days	**244,468**	244,900
90–180 days	**87,885**	108,416
180 days – 1 year	**109,607**	95,020
1–2 years	**94,375**	128,528
2–3 years	**39,201**	46,241
Over 3 years	**108,566**	97,622
Total	**684,102**	720,727

14. SHARE CAPITAL

Details of the movement of share capital are as follows:

	Number of shares	Nominal value per share *US$*	Share capital *US$*
Authorised At 31 December 2017 and 30 June 2018 (Unaudited)	**5,000,000,000**	**0.00001**	**50,000**

Issued

	Ordinary shares	Class A ordinary shares	Class B convertible ordinary shares	Class C convertible ordinary shares	Total	Nominal value per shares *US$*	Share capital of ordinary shares and Class A ordinary shares *US$*
At 1 January 2017 (Audited)	625,000,000	–	–	–	625,000,000	0.00001	6,250
Redesignation of ordinary shares to Class A Shares	(625,000,000)	625,000,000	–	–	–	0.00001	–
Redesignation of Class A ordinary shares to Class B convertible ordinary shares	–	(125,000,000)	125,000,000	–	–	0.00001	(1,250)
Issuance of Class C-1 convertible ordinary shares *(note 16)*	–	–	–	27,573,529	27,573,529	0.00001	–
Issuance of Class C-2 convertible ordinary shares *(note 16)*	–	–	–	110,294,118	110,294,118	0.00001	–
Issuance of Class C-3 convertible ordinary shares *(note 16)*	–	–	–	31,786,152	31,786,152	0.00001	–
Repurchase of Class A ordinary shares	–	(24,722,563)	–	–	(24,722,563)	0.00001	(247)
Issuance of Class C-3 convertible ordinary shares upon repurchase	–	–	–	24,722,563	24,722,563	0.00001	–
At 31 December 2017 (Audited)	–	475,277,437	125,000,000	194,376,362	794,653,799	0.00001	4,753
Redesignation of Class A convertible ordinary shares to ordinary shares	475,277,437	(475,277,437)	–	–	–	0.00001	–
Conversion of Class B convertible ordinary shares to ordinary shares	125,000,000	–	(125,000,000)	–	–	0.00001	1,250
Conversion of Class C convertible ordinary shares to ordinary shares	194,376,362	–	–	(194,376,362)	–	0.00001	1,944
Issuance of new shares upon IPO	216,105,000	–	–	–	216,105,000	0.00001	2,161
At 30 June 2018 (Unaudited)	**1,010,758,799**	**–**	**–**	**–**	**1,010,758,799**	**0.00001**	**10,108**

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Presented as	**67**	32

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amounts due from related parties

Amounts due from related parties – trade nature

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Yangxi Haibin Electric Power Development Co., Ltd. ("Yangxi Electric")	**159,146**	18,860
Yangmei Group Shouyang Boqi Electricity Co., Ltd. ("Shouyang Power")	**27,191**	18,714
Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai")	**34,048**	32,597
Richinfo Technology Co., Ltd. ("Richinfo")	**626**	–
	221,011	70,171

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Analysed for reporting purpose as:		
Current assets	**221,011**	70,171
Non-current assets	**–**	–
	221,011	70,171

The Group generally grants a credit period of 90 days to its related parties. Aging analysis of amounts due from related parties – trade nature, based on invoice date, is as follows:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
1–90 days	**201,684**	50,672
91–180 days	**–**	10,503
181–365 days	**11,130**	8,196
1–2 years	**8,197**	800
Over 3 years	**–**	–
	221,011	70,171

Amounts due from related parties – non-trade nature

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Yangxi Electric	**139,690**	139,690
Boqi Environmental Engineering	**–**	18,324
Han Chuan Long Yuan	**26,441**	234
	166,131	158,248

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Analysed for reporting purpose as:		
Current assets	**26,441**	234
Non-current assets	**139,690**	158,014
	166,131	158,248

(b) Amounts due to related parties

Amounts due to related parties – trade nature

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Boqi Environmental Engineering	**176**	–
Richinfo Technology Co., Ltd *(note)*	**–**	86
	176	86

Note: Richinfo is owned as to 49.5% by Mr. Zeng and an independent third party in aggregate acting-in-concert with each other.

The credit period granted by the related parties is ranging from 30 to 90 days. Aging analysis of amounts due to related parties – trade nature is as follows:

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
1–90 days	**–**	86
Over 3 years	**176**	–
	176	86

Advance from related parties

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Sinopec Chongqing SVW Chemical Co.,Ltd ("Sinopec Chongqing")	**456**	–
Sinopec Shanghai Gaoqiao Petrochemical Company Limited ("Sinopec Shanghai Gaoqiao") *(Note)*	**5,924**	5,410
	6,380	5,410

Note: The balances represent the advance payment from related parties in relation to the EPC service provided by the Group.

(c) The transactions with related parties during the periods reported are listed out below:

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 30 June 2017 *RMB'000* (Audited)
Yangxi *(note (1))*		
– O&M service	**173,295**	91,505
– Interest income	**3,080**	–
– Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi	**42,627**	26,848
Shouyang Power *(note (2))*		
– EPC service	**(32)**	16,144
Sinopec Shanghai *(note (3))*		
– EPC service	**43,419**	11,342
Sinopec Shanghai Gaoqiao *(note (4))*		
– EPC service	**5,017**	233
Richinfo		
– Purchase of intangible assets	**11**	22

Notes:

(1) In December 2016, the Group entered into a management service agreement, pursuant to which the Group provided O&M service to Yangxi Electric, and RMB173,295,000 was recognised as revenue during the period ended 30 June 2018. The Group also purchases water and electricity, labor, space parts and miscellaneous items from Yangxi to support the O&M service. During the period ended 30 June 2018, the Group purchased RMB42,627,000 water and electricity, labor, space parts and miscellaneous items from Yangxi.

(2) In December 2015, the Group entered into an EPC service contract with Shouyang Boqi for a total contract amount of RMB287,560,000, of which RMB32,000 were recognised as loss during the period ended 30 June 2018.

(3) In March 2017, the Group entered into an EPC service contract with Sinopec Shanghai for a total contract of RMB224,626,000, of which RMB43,419,000 was recognised as revenue during the period ended 30 June 2018.

(4) In April 2017, the Group entered into EPC service contract with Sinopec Shanghai Gaoqiao for a total contract amount of RMB16,990,000, of which RMB5,017,000 was recognised as revenue during the period ended 30 June 2018.

(d) Guarantees provided to Han Chuan Long Yuan

On 18 July 2014 and 15 January 2015, the Company and the Wuhan branch of China Everbright Bank entered into two separate financial guarantee contracts, pursuant to which Beijing Boqi will provide guarantees for the liabilities under the maximum credit limit amounting to RMB45,000,000 and RMB21,000,000, respectively, arising from securing two bank term loans to Han Chuan Long Yuan, for the loan period from 18 July 2014 to 17 July 2021 and from 15 January 2015 to January 14, 2022, respectively. The Company has considered the initial fair value of such guarantee was immaterial and that Han Chuan Long Yuan has made repayments to China Everbright for their bank loans in accordance with the scheduled repayment dates set out in the bank borrowing agreements, it is not probable that the Group will result in payment under such financial guarantee.

16. CONVERTIBLE ORDINARY SHARES

	At 1 January 2018 *RMB'000* (Audited)	Change in fair value *RMB'000*	Conversion *RMB'000*	At 30 June 2018 *RMB'000* (Unaudited)
Class B convertible ordinary shares ("Class B Shares")	295,548	(52,266)	(243,282)	–
Class B Shares	295,548	(52,266)	(243,282)	–
Class C-1 convertible ordinary shares ("Class C-1 Shares")	65,195	(11,530)	(53,665)	–
Class C-2 convertible ordinary shares ("Class C-2 Shares")	260,777	(23,629)	(109,980)	–
Class C convertible ordinary shares ("Class C Shares")	459,581	(81,275)	(378,306)	–
	755,129	(133,541)	(621,588)	–

On March 16, 2018, the Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited, upon when all of the Company's Class B and Class C convertible ordinary shares were converted into Class A ordinary shares. The fair value of such Class B and Class C convertible shares was changed to RMB621,588,000, which was recorded as the Company's equity upon such conversion.

17. COMMITMENT FOR CAPITAL EXPENDITURE

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Commitments for construction of infrastructure under concession operation (contracted but not provided for)	**216,406**	116,209

18. SUBSEQUENT EVENTS

There has been no material events subsequent to the period, which require adjustment or disclosure in accordance with IFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to the development of the environmental protection industry. As an independent flue gas treatment integrated services provider, the Group is principally engaged in flue gas treatment business, which falls within three segments, namely flue gas desulfurization, flue gas denitrification and dust removal services, under different business models. The Group also provides waste water treatment services to coal-fired power plants and will continuously expand its existing comprehensive environmental protection business in coal-fired power plants to provide energy conservation and environmental protection solutions to customers by focusing on zero waste water discharge and detoxification treatment of solid waste. The Group also provides its services through various business models including environmental protection facility engineering ("EPC"), operation and maintenance ("O&M") and concession operations.

I. INDUSTRY OVERVIEW

The report delivered at the 19th National Congress of the Communist Party of China added the Beautiful China initiative to the goals of socialist modernization, i.e. to build a prosperous, strong, democratic, civilized and harmonious China, which provided clear directions and motivation for the energy conservation and environmental protection industry in China to maintain a trend of rapid development.

According to the Environmental Protection Tax Law of the People's Republic of China, which came into force on 1 January 2018, within the territory of China and other sea areas under the jurisdiction of China, the enterprises, public institutions and other producers and operators, directly discharging pollutants to the environment shall pay environmental pollution tax in accordance with relevant regulations. The implementation of the Environmental Protection Tax Law of the People's Republic of China tightened the screws on enterprises discharging pollutants, which at the same time effectively motivated such enterprises to reduce pollutant emission by improving technologies.

In May 2018, at the National Working Conference on Environmental Protection, General Secretary Xi Jinping emphasized that to build an ecological civilization is of fundamental importance for the sustainable development of the Chinese nation. The county will channel more energy into promoting ecological civilization, resolving environmental problems and battling against pollution in China to become more ecologically civilized.

In the first half of 2018, the Chinese government continued to intensively promote the structural reform of the supply and reduction of excessive production capacity, which improved the overall operation conditions and capital positions of traditional industries such as steel and cement. Such industries will allocate more capital in areas such as environmental protection and energy conservation, while industries engaging in atmospheric pollution prevention, water pollution prevention and solid waste consolidated utilization are expected to usher in a new round of rapid growth.

In the first half of 2018, the policy of special discharge was steadily implemented in Beijing, Tianjin and Hebei province of China by conducting inspections and approving license at the same time. In January 2018, the Ministry of Environmental Protection published the Announcement on Implementation of Special Discharge Cap for Air Pollutants in Air Pollution Transmission Channel Cities in Beijing, Tianjin and Hebei Province, according to which the existing enterprises in thermal power, iron and steel, petrochemical, chemical, nonferrous metals (excluding aluminum oxide), cement industries and in-use boilers shall implement special discharge cap for SO_2, NO_x, particulates and volatile organic compound since 1 October 2018. Therefore, with increasingly stringent environmental inspections, non-electricity flue gas emission industries of iron and steel, cement, petrochemical and glass will speed up to release demand. Meanwhile, the market of flue gas emission transformation for existing facilities in such fields is expected to be expanded in the future, which may have a scale exceeding that of thermal power field.

In the first half of 2018, the scope of water pollution control in China has been expanding, and the emphasis includes the treatment of black odor water, urban sewage, rural sewage and highly-concentrated refractory wastewater in industrial wastewater. Among them, there are five key industries which require industrial wastewater treatment, namely steel, chemical, paper-making, petrochemical and textile. Their wastewater discharge accounts for half of industrial wastewater discharge, and the annual operating costs reach 54% of total industrial wastewater treatment costs. Meanwhile, as emission standards have become more stringent and processing costs have increased, the business prospect of enhancing the standard and upgrading the industrial wastewater treatment facilities and operating business commissioned by third parties is very promising.

In respect of the soil and solid waste treatment fields in China, the Ministry of Environmental Protection published four environmental protection standards for the assessment and monitoring of soil pollution, which filled the gap in the process of soil protection and promoted the development of the overall production chain of soil restoration. Meanwhile, in July 2018, the Ministry of Ecology and Environment published the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (Draft for Discussion), which stipulated responsibilities of each party in controlling solid waste while deepening management of solid waste with comprehensive methods. With the increasingly stringent state policies on environmental protection, the price for soil restoration and treatment of solid waste and hazardous waste has been rising rapidly, bringing bright market prospect.

II. BUSINESS REVIEW

The Group commenced its flue gas treatment business in 2003 and is among the first independent participants in the flue gas treatment industry in China. The services of the Group cover the whole industry-chain of the flue gas treatment industry, from project designing, equipment procurement and facilities construction to operation and maintenance and concession operation of flue gas treatment facilities. Moreover, the Group's business has a broad geographic coverage, reaching almost 30 provinces, municipalities and autonomous regions in China. Furthermore, the Group has been expanding its business overseas, including in Europe, South Asia, Latin America, Africa and Southeast Asia.

In addition, as at 30 June 2018, the Group had also implemented, or were implementing, more than ten projects in regions outside the PRC, such as Europe, South Asia, Latin America, Africa and Southeast Asia.

As an independent flue gas treatment integrated services provider, the Group provides innovative technologies and quality services which aim to reduce the SO_2 and NOx emissions of coal-fired power plants and offer flue gas desulfurization, flue gas denitrification and dust removal services, as well as other pollution control solutions to its customers. For the first half of 2018, the Group entered into project contracts with coal-fired power plants, aluminum factories, steel factories, chemical plants and other customers for the provision of services based mainly on three business models: the EPC, the O&M business and concession operations (which includes BOT and TOT). The Group adopted different business models for different projects in its desulfurization, denitrification and other flue gas treatment businesses in an effort to comply with general market practices or to meet customer's expectation or to take advantage of certain favorable government policies.

EPC

The typical EPC business primarily involves project design, procurement of equipment and materials, project construction and equipment installment services in relation to SO_2 or NOx emission control and dust removal for power plants, aluminum factories, steel factories, chemical plants. The Group acts as the primary contractor and is responsible for the design of the client's project; procurement and selection of various environmentally friendly materials and equipment from domestic and overseas suppliers; construction subcontracting and supervision of the project construction and equipment installment; testing, inspection and trial operation of the facilities; and delivery of finished project to the client upon its completion after inspection by the competent government authority or independent third parties or customers.

During the first half of 2018, the total contract value of newly contracted EPC projects (including desulfurization, denitrification and dust removal projects) of the Group amounted to RMB504.1 million, of which the contract value of newly contracted EPC projects in steel industry was RMB441.3 million. The cumulative installed capacities of these projects reached 1,400 MW, with a cumulative sintering machine area of 1,160 m^2 in steel factories.

In the first half of 2018, the Group has made a breakthrough in EPC projects in non-electricity fields. As for the steel industry, we have entered into a contract with Tangshan Xinbaotai Iron and Steel Company Limited for a 210m^2 sintering machine transformation project, Hebei Jinxi Iron and Steel Company Limited for a flue gas ultra-clean emission project for 265m^2 sintering machines, and with Jinxi Wantong Company Limited for a desulfurization and denitrification project for 685m^2 sintering machines. As for the natural gas industry, we have entered into a contract for our first waste heat boiler denitrification project, which is a waste heat boiler denitrification project with Jingneng Gao'antun Gas-fired Thermal Power Co., Ltd.

In 2018, the continuous battle against atmospheric pollution brought development opportunities for the flue gas treatment industry in non-electricity field. As the leading enterprise in flue gas treatment field, the Group is equipped with proven technologies as well as innovation capacities and has stepped into non-electricity field with preliminary results in the first half of 2018. Relevant policies launched facilitated the Group to take advantages of technologies and experiences and to benefit from the rapid development of the flue gas treatment industry in non-electricity field. As at 30 June 2018, the Group has 19 EPC projects under construction. The following table sets forth the status of the EPC projects under construction as at 30 June 2018:

Environmental Protection Facility Engineering projects under construction	**Type of project**	**Newly built/ upgraded**	**Date of contract (Month/year)**	**Aggregate contract value** *(RMB million)*
Shentou Electric Power Phase II Desulfurization System and WESP Project	Desulfurization and dust removal	Newly built	December 2014	354.41
Beihai Desulfurization Project	Desulfurization	Newly built	November 2015	149.57
Shouyang Green Island Project	Green Island	Newly built	December 2015	287.56
Binzhou Phase II Dust Removal Project	Dust removal	Upgraded	April 2016	29.68
Shangqiu Desulfurization Project	Desulfurization	Newly built	June 2016	85.88
Phase II Desulfurization EP Project in Serbia	Desulfurization	Newly built	September 2016	90.20
Seawater Desulfurization System and Equipment Supply Project in Pakistan	Desulfurization	Newly built	November 2016	90.77
Xinjiang New Energy #1-2 Unit Desulfurization Project	Desulfurization	Newly built	December 2016	71.80
Shanghai Petrochemical Boiler Ultra-low Emission Upgrade Project	Green Island	Upgraded	March 2017	224.63
Gaoqiao Denitrification System Supplies Procurement Project	Denitrification	Upgraded	April 2017	16.99
Nanyang Desulfurization Project	Desulfurization	Newly built	March 2017	167.77
Sinopec Shanghai # 3-4 Unit Desulfurization Project	Desulfurization	Upgraded	September 2017	91.12
Flue Gas Desulfurization System Construction for Aluminum Company I of Zouping Hongmao New Material Technology Co., Ltd	Desulfurization	Upgraded	November 2017	19.76
Flue Gas Desulfurization System Construction for Aluminum Company VI of Zouping Hongzheng New Material Technology Co., Ltd	Desulfurization	Upgraded	November 2017	21.91

Environmental Protection Facility Engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract (Month/year)	Aggregate contract value *(RMB million)*
Tangshan Xinbaotai Iron & Steel Limited 210m^2 Sintering Machines Upgrade Project	Desulfurization	Upgraded	January 2018	105.48
Xinjiang Guotai Xinhua Huaidong Phase I Ultra-low Emiossion Upgrade Project	Desulfurization	Upgraded	May 2018	38.67
265m^2 Ultra-clean Emission Project for Flue Gas from Sintering Machines for Hebei Jinxi Iron and Steel Company Limited	Green Island	Upgraded	May 2018	120
Jinxi Wanton 1#,2#,3# Sintering Machines Flue-gas Ultra-low Emission Project	Green Island	Upgraded	May 2018	215.8
Jingneng Gao'antun Gas-fired Thermal Power Co., Ltd Waster Heat Boiler Denitrification Upgrade Project	Denitrification	Upgraded	June 2018	24.1

O&M

The O&M services mainly include operation services and regular maintenance services for desulfurization and denitrification facilities owned by the customers. The Group acts as a contractor which provides desulfurization, denitrification and dust removal operation services while the scope of work involves the full operation, repair, upgrade and maintenance of flue gas treatment system/facilities owned by power plants. Under the O&M projects, the customers are either charged service fees for the O&M services calculated based on the total amount of on-grid electricity generated during the service period, or a price pre-determined at the commencement of the project based on the scope of work that will be performed. Revenues from the O&M business can be a recurring one, generating stable cash flow for the Group.

In the first half of 2018, the Group acted as a contractor under the O&M projects which provided desulfurization, denitrification and dust removal operating services, and the scope of business included full-process operation, upgrading and maintenance of flue gas treatment system/facilities of coal-fired power plants. Regular maintenance services included provision of technical support, regular maintenance, facilities testing, maintenance services and spare parts services for flue gas facilities. As at 30 June 2018, the Group had 15 O&M projects under operation with an aggregate installed capacity of 21,680 MW and the production and operation have been normal. Such projects will provide stable growth in businesses with support of demand amid the increasingly stringent environmental inspections and emission data requirements. The following table sets forth the installed capacity and status of the O&M projects of the Group under operation as at 30 June 2018:

Project name	Type of project	Staring date of service *(Year/Month)*	Expiring date of service contract *(Year/Month)*	Installed capacity
Anshun Flue Gas Desulfurization O&M Project	Desulfurization	November 2017	December 2019	2×300MW
Yangcheng #1-6 Unit Flue Gas Desulfurization O&M Project	Desulfurization	July 2018	August 2018	6×350MW
Yangcheng #7-8 Unit Flue Gas Desulfurization O&M Project	Desulfurization	June 2018	August 2018	2×600MW
Yangcheng #7-8 Unit Slag Removal O&M Project	Slag removal	June 2018	August 2018	2×600MW
Kuche Flue Gas Desulfurization O&M Project	Desulfurization	December 2012	December 2020	2×330MW
Bulian Flue Gas Desulfurization O&M Project	Desulfurization	April 2013	March 2018	2×660MW
Qinzhou Desulfurization Q&M Project	Desulfurization	July 2015	June 2018	2×630MW+2×1000MW
Guotai Flue Gas Desulfurization, Denitrification and Slag Removal O&M Project	Denitrification, desulfurization and slag removal	November 2015	June 2019	2×350MW
Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	March 2016	March 2019	2×660MW
Tianjin SDIC Jineng Power Plant Desulfurization, WESP and Water Intake System Operation and Cleaning Project	Desulfurization	August 2016	December 2020	4×1000MW
Serbian Flue Gas Desulfurization O&M Project	Desulfurization	May 2017	May 2018	2×350MW
Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	January 2017	December 2025	2×660MW+2×600MW
Chengde Desulfurization O&M Project	Desulfurization	May 2017	May 2018	2×350MW
Anshun #1-2 Units Maintenance and Repair Service Project	Desulfurization	September 2017	August 2018	2×300MW
Shouguang Auxiliary Ashing and Sulfurization Control System Entrusted Operation Project	Desulfurization	May 2018	May 2021	2×1000WM

Concession Operation Business

Under the concession operation business model, the Group is responsible for the financing, investment, construction and upgrade of a project according to the concession contract with the customer. In general, the concession projects are funded by the Group's own capital or borrowings from local banks. After the completion of constructions, the Group also owns the project assets and operates the project for a period pre-defined in the concession agreement, which is typically 15 to 20 years, and the Group is entitled to collect revenues generated from the project during the term of the contract. Revenues generated by the concession operation business during the operation phase of the relevant projects are calculated based on the on-grid power generation of the customer using the unit price specified in the concession contract during the operation phase, which is generally settled with the customers on a monthly basis. The Group also generates revenues from the sales of by-products during the operation of the environmental protection facilities. The fees the Group receives for the provision of concession services under the concession contracts typically include a service fee based on a guaranteed minimum flue gas treatment volume and such fees are contingent subject to adjustment of certain variable costs the Group incurred. Such tariff subsidy for the power consumption is pre-determined at the time the concession agreement is entered into with the client.

Project name	**Installed capacity**	**Type of project**	**Newly built/ upgraded**	**Total investment**	**Date of signing contract**	**Ending date of concession period**
				RMB millions	*(Year/Month)*	*(Year/Month)*
Jiangxi Jinggangshan BOT Project	2×300MW+ 2×660MW	Desulfurization	Newly built	223.74	2008/1 (for Phase I) 2008/8 (for Phase II)	2030/7 (for Phase I) 2030/12 (for Phase II)
Shanxi Hejin BOT Project	2×350MW	Denitrification	Newly built	89.93	2012/6	2033/9 (for Unit #1) 2033/5 (for Unit #2)
Shanxi Puzhou Phase I BOT Project	2×300MW	Denitrification	Newly built	84.40	2012/6	2034/1 (for Unit #1) 2033/5 (for Unit #2)
Shanxi Puzhou Phase II BOT Project	2×350MW	Denitrification	Newly built	111.88	2014/5	End of 2037
Shanxi Yuguang BOT Project	2×300MW	Green Island	Upgraded	82.36	2015/5	2036/2 (for Unit #1) 2035/5 (for Unit #2)
Xinjiang Shenhuo BOT Project [1]	4×350MW	Green Island	Upgraded	490.07	2017/6	End of 2032
Huainan Guqiao BOT Project	2×330MW	Green Island	Upgraded	173.35	2018/5	End of 2033

Note:

(1) For Xinjiang Shenhuo BOT Project, the Group acquired certain flue gas desulfurization, denitrification and dust removal facilities, which are in turn upgraded at the Group's own expenses. The Group expects to recover its investments in the acquisition and upgrading of the relevant facilities through the service fees it charges during the subsequent concession operation period.

In the first half of 2018, the Group continued to carry out its concession operation business, including desulfurization, denitrification and Green Island (which is an integrated flue gas treatment system to treat synergistically the flue gas pollutants produced by the boilers of coal-fired power plants, including denitrification, desulfurization, dust removal, induced-drafted fan system, reheating system.). As at 30 June 2018, the Group cumulatively undertook seven concession operation projects with two under construction and five in operation. Among which, the Group has contracted for a BOT project of flue gas ultra-low emission upgrade for two 330MW units in Guqiao power plant of Huainan Mining Industry Group Power Generation Co., Ltd in the first half of 2018. This project is beneficial in strengthening our cooperation with Huainan Mining Industry Group Power Generation Co., Ltd and in expanding our business in Anhui Province and the surrounding areas. Meanwhile, that project has provided us with decent investment returns and stable cashflows, laying a strong foundation for us to expand our concession operation business.

III. FINANCIAL POSITION AND OPERATING RESULTS

In 2018, there are significant uncertainties in the global economy; under the major objectives of reducing excess capacity, debubbling and deleveraging, the Chinese economy has embarked on the implementation of a series of significant policies including structural adjustment, steady growth, environmental protection and welfare improvement. With the support of national policy, environmental industries still maintain a larger room for development.

The year 2018 marks a milestone for the Group. The Company was listed on the Main Board of the Hong Kong Stock Exchange on 16 March 2018 (the "**Listing Date**") with new vitality brought by the capital market; the operating businesses have been expanded from electricity industry to non-electricity fields, such as steel, mining and petrochemical, leading to an increase in contract orders; business transformation has been implemented, rapidly boosting the proportion of O&M and BOT business with higher gross profit margin; the introduction of new technologies, such as urea hydrolysis, sewage treatment desulfurization for sintering machines, etc., have been applied and promoted; the operational management is enhanced and the effectiveness of the Company is entirely elevated through budget control, cost reduction and efficiency enhancement.

The overall operating results of the Company for the first half of 2018 improved substantially as compared with the first half of 2017. The operating revenue increased substantially as compared with the same period of 2017; the net profit rose noticeably as compared to the first half of 2017; because of the sound asset-liability structure, the asset-liability ratio is maintained at a relatively low level; and cash flows and bank credits are abundant enough to lay a solid foundation for the Company's sustainable development.

Revenue

In the first half of 2018, the Group's total revenue increased by 54.1% to RMB722 million as compared with RMB468 million for the first half of 2017, primarily attributable to the significant increase in revenue of each business segment of the Group during the reporting period.

The Group generates revenues primarily from three major operating segments: (i) the EPC business, (ii) the O&M business, and (iii) concession operation business. The following table sets forth a breakdown of the revenue of the Group by segment for the periods stated.

	Segment revenue Period ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
EPC	**245,778**	132,100
O&M	**248,620**	189,755
BOT	**214,024**	135,495
Others	**13,300**	11,046
Total	**721,722**	468,396

The Group's revenue generated from the EPC business increased by 86.1% to RMB246 million as compared with RMB132 million for the first half of 2017, mainly attributable to the increased number of projects newly contracted by the Group in steel and petrochemical fields with large contract amount and shorter project duration.

The Group's revenue generated from the O&M business increased by 31.0% to RMB249 million as compared with RMB190 million for the first half of 2017, mainly attributable to the increase in power generation hours and ultra-low emission transformation subsidy income received by the O&M projects for large-scale power generation of the Group.

Revenue from concession operation business increased by 58.0% to RMB214 million as compared with RMB135 million for the first half of 2017, mainly attributable to the commencement of operations of the Group's certain new BOT projects upon completion of construction and transformation, as well as the construction of newly contracted BOT projects during the reporting period.

Cost of Sales and Services

The Group's cost of sales and services increased by 56.5% to RMB526 million as compared with RMB336 million for the first half of 2017, mainly attributable to the increase in cost resulting from the increased revenue of each business segment of the Group during the reporting period.

Cost of sales and services for the Group's EPC business consists primarily of design, procurement, construction and installation costs. The cost of sales and services for the Group's EPC business increased by 90.4% to RMB232 million as compared with RMB122 million for the first half of 2017, mainly attributable to the increase in revenue of newly contracted projects in steel and petrochemical fields and the collective recognition of certain project costs.

Cost of sales and services for the O&M business consists of raw materials costs, staff costs and repair and maintenance costs. The cost of sales and services for the Group's O&M business increased by 6.4% to RMB131 million as compared with RMB123 million for the first half of 2017, mainly attributable to the increase in the incremental cost of the Group's O&M project power generation, which was partially offset by the decrease in cost resulting from the change of settlement method in certain newly contracted project contracts.

Cost of sales and services for the Group's concession operation business consists primarily of raw material costs, staff costs, construction costs and amortization and depreciation. The cost of sales and services for the Group's concession operation business increased by 80.2% to RMB161 million as compared with RMB89 million for the first half of 2017, mainly attributable to the increase in power generation of projects in operation and the commencement of operation of newly constructed projects.

Gross Profit and Gross Profit Margin

Due to the significant year-on-year increase in gross profits contributed by each business segment, the gross profit of the Group increased by 48.0% to RMB196 million as compared with RMB132 million for the first half of 2017, mainly attributable to the Group's expanded operation scale and the increase in proportion of the business with high gross profits.

The following table sets forth the Group's gross profit and gross profit margin for each of the business segments for the periods stated.

	For the six months ended 30 June 2018		For the six months ended 30 June 2017	
	RMB'000	***Gross Profit Margin %***	*RMB'000*	*Gross Profit Margin %*
EPC	**13,576**	**5.5**	10,137	7.7
O&M	**118,014**	**47.5**	66,954	35.3
BOT	**53,365**	**24.9**	46,350	34.2
Others	**10,661**	**80.2**	8,716	78.9
Total	**195,616**	**27.1**	132,157	28.2

The gross profit of the Group's EPC business increased by 33.9% to RMB14 million as compared with RMB10 million for the first half of 2017, mainly attributable to the increase in EPC projects' revenue which increased the gross profit, and partially offset by the lower gross profit margin of some projects.

The gross profit of the Group's O&M business increased by 76.3% to RMB118 million as compared with RMB67 million for the first half of 2017, mainly attributable to the increase in power generation hour and ultra-low emission subsidy from the Group's large-scaled power generation O&M projects.

The gross profit of the Group's concession operation business increased by 15.1% to RMB53 million as compared with RMB46 million for the first half of 2017, mainly attributable to the commencement of operation of the Group's newly built BOT project, and the investment and construction of new BOT project.

IMPORTANT EVENTS HAPPENING AFTER THE PERIOD

Up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after 30 June 2018.

OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

The Group seeks to strengthen its position as a leading flue gas treatment service provider in the PRC, and further expand the Group's market share to maximize shareholder returns. The Group also plans to expand its business into other environmental protection and energy conservation areas and contribute to the pollution prevention and control and energy conservation in the PRC and around the world. The Group is committed to becoming a world-class environmental industrial group. Looking forward to the second half of 2018, the Group would tackle both challenges and opportunities. The Group will leverage the listing and the support from "industry and capital" to realize the integration and promotion between capital and industry, achieve transformation in the Company's business and significant improvement in management and promote "internal" and "external" growth as the first step in becoming an integrated environmental protection industrial group. The Group commits to becoming a leading conglomerate in the environmental treatment service sector among domestic and overseas markets, and establishing the Company as a "platform" integrated environmental protection company. Leveraging on our comprehensive understanding of the market environment, in the second half of 2018, the Group will continue focusing on the following tasks in order to achieve its goals:

Capturing the Market Opportunities Brought by the Government's "Ultra-low Emission" Policy

The Group seeks to capture the market opportunities arising from the national "ultra-low emission" policy. Leveraging the extensive customer base and abundant business experience of the Group, the Group seeks to further expand its coverage in the whole industrial chain of flue gas treatment. The Group would closely focus on the development of the third party treatment market, endeavor to tap into the market potential of the desulfurization and denitrification concession operation and O&M business and increase the proportion of third party treatment business within its major businesses, so as to achieve the sustainable development of its business. The PRC government has promulgated a series of environmental treatment polities, which brought significant impetus to the development of the relevant industries. In light of the favorable national policies, looking forward, the Group would put more focus on the expansion of flue gas third-party treatment markets, while it would strengthen overall planning of market, modify marketing strategies, increase its resource allocations, building up the Company's professional image and brand, attach great importance to the maintenance of major customers, continuously offer training to marketing personnel in respect of technological knowledge, market analysis and sales techniques and improve the quality of tenders won.

Expanding the Business Scope of the Group with Core Competitive Strengths

The Group will continue to expand its business scope with competitive strengths. Looking to the future, the Group plans to extend its flue gas treatment industrial chain to other aspects of heavy metal treatment, VOC treatment and CO_2 capturing and collection in order to provide customers with integrated energy-saving and environmental protection solutions. Meanwhile, after Listing, the Group leveraging strong capital strength entered the fields of municipal and industrial sewage treatment business and detoxification treatment of solid waste through various approaches, such as technology cooperation, investment, mergers and acquisitions, so as to build an integrated environmental industry group. In addition, supported with the resources of our shareholders in the industry, the Group would collaborate with relevant research institutes on joint technology licensing so as to expand our "ultra-low emission" upgrade business in the fields of petroleum and petrochemicals, metallurgical, steel and coal chemicals.

Leveraging the Implementation of the "One Belt One Road" National Strategy to Explore the Overseas Markets

By leveraging the "One Belt One Road" strategy and the national "Green Finance" policy, the Group will continue to explore overseas markets in countries alongside the "One Belt One Road", such as Turkey, Serbia, India, Russia, Indonesia, Vietnam and Pakistan. The Group would continue to reinforce its cooperation with overseas energy engineering companies and large-scale technology companies. The Group plans to explore overseas market based on its current EPC and O&M models. In January 2018, the Group completed the structural adjustment of overseas business expansion. By establishing international business department, the Group would strengthen its overseas team building in terms of marketing, designing, purchasing and project executions, and accelerate its overseas talent base through talent introduction and internal cultivation, so as to satisfy its needs for overseas market development and enlarge its space for development in overseas market.

INTERIM DIVIDEND

In accordance with the Dividend Policy announced by the Company on 18 May 2018, the Board world consider paying out dividend of the year within the range of 30% to 50% of the net profit for the year. The Board has resolved that the Company will not distribute interim dividend for the six months ended 30 June 2018. (2017: Nil)

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2018.

CORPORATE GOVERNANCE CODE

The Company's Shares have been listed on the Stock Exchange since the Listing Date. The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate values and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. Save as disclosed herein, the Company complied with the code provisions as set out in the CG Code during the period from the Listing Date to 30 June 2018 (the "Period"). The Company will continue to review and enhance its corporate governance policies to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiry to all the Directors, all Directors confirmed that they had strictly complied with the required standards set out in the Model Code during the Period.

The Board has also adopted the Model Code to regulate all dealings by employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's employees was noted during the Period after making reasonable enquiry.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee of the Company (the "**Audit Committee**") comprises the three independent non-executive Directors. The Audit Committee has reviewed with the management the accounting standards and practical guidelines adopted by the Group, and has also discussed auditing, internal control, risk management system and financial reporting matters, including the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2018.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2018. The Audit Committee has not expressed any dissent concerning the unaudited interim report.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Company (www.chinaboqi.com) and the Stock Exchange (www.hkexnews.hk). The 2018 interim report containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and dispatched to the shareholders of the Company in due course.

By order of the Board
China Boqi Environmental (Holding) Co., Ltd.
Cheng Liquan Richard
Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the Board comprises Cheng Liquan Richard and Zeng Zhijun, as executive Directors; Tony Tuo Zheng, Chen Xue and Zhu Weihang, as non-executive Directors; and Xie Guozhong, Liu Genyu and Lu Zhifang, as independent non-executive Directors.

For identification purposes only