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 2019

FINANCIAL AND OPERATION HIGHLIGHTS

For the six months ended 30 June 2019, the revenue of the Group amounted to RMB753 million, representing an increase of 4.3% as compared to the same period last year.

For the six months ended 30 June 2019, the gross profit of the Group amounted to RMB122 million and the gross profit margin of the Group was 16.2%, representing a decrease of 37.8% in gross profit and 10.9 percentage points in gross profit margin as compared to the same period last year.

For the six months ended 30 June 2019, the net profit of the Group amounted to RMB92 million and the net profit margin of the Group was 12.2%. If excluding the fair value gain on the Class B and Class C shares for the same period from the net profit, the adjusted net profit for the six months ended 30 June 2018 was RMB135 million and the adjusted net profit margin was 18.8%. There is a decrease of 31.9% in the adjusted net profit and 6.6 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**" or "**China Boqi**") announces the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Reporting Period**"). 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 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	For the six months ended 30 June **2019** ***RMB'000*** **(Unaudited)**	 2018 *RMB'000* (Unaudited)
Revenue	*3*	**752,516**	721,722
Cost of sales and services		**(630,252)**	(526,106)
Gross profit		**122,264**	195,616
Other income and other gains and losses	*4*	**26,167**	27,636
Selling and distribution expenses		**(12,194)**	(10,980)
Administrative expenses		**(45,144)**	(50,507)
Reversal of impairment losses on financial assets and contract assets		**4,215**	178
Share of profit of associates		**16,263**	14,941
Finance costs	*5*	**(2,438)**	(2,941)
Change in fair value of convertible ordinary shares		**–**	133,541
Listing expenses		**–**	(3,319)
Profit before tax		**109,133**	304,165
Income tax expense	*6*	**(17,460)**	(35,127)
Profit for the periods	*7*	**91,673**	269,038
Other comprehensive income for the periods:			
Items that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(2,544)**	–
Income tax relating to investment in equity instrument at fair value through other comprehensive income		**382**	–
		(2,162)	–
Items that will be reclassified to profit or loss:			
Fair value loss on debt instrument at fair value through other comprehensive income		**(1,772)**	–
Income tax relating to items that may be reclassified subsequently		**104**	–
		(1,668)	–
Total comprehensive income for the periods		**87,843**	269,038

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit for the periods attributable to:			
Owners of the Company		**90,767**	269,713
Non-controlling interests		**906**	(675)
		91,673	269,038
Total comprehensive income for the periods attributable to:			
Owners of the Company		**86,937**	269,713
Non-controlling interests		**906**	(675)
		87,843	269,038
Earnings per share			
– Basic (RMB)	*9*	**0.09**	0.34
– Diluted (RMB)	*9*	**0.09**	0.15

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Notes	**As at 30 June 2019 RMB'000 (Unaudited)**	As at 31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**104,574**	88,330
Investment properties		**12,031**	12,348
Intangible assets		**740,380**	543,824
Receivables under service concession arrangement-non-current	*10*	**358,635**	367,029
Investment in associates		**89,785**	69,537
Equity instrument at fair value through other comprehensive income		**996**	3,540
Amounts due from related parties-non-current	*15*	**140,208**	143,287
Deferred tax assets		**22,069**	25,121
Total non-current assets		**1,468,678**	1,253,016
Current assets			
Receivables under service concession arrangement-current	*10*	**17,868**	12,526
Inventories		**44,325**	37,841
Debt instrument at fair value through other comprehensive income ("FVTOCI")		**127,301**	70,205
Equity instrument at fair value through profit and loss ("FVTPL")		**48,147**	–
Contract assets	*11*	**246,490**	204,289
Trade and notes receivables	*12*	**700,135**	779,070
Prepayments, deposits and other receivables		**174,257**	123,190
Amounts due from related parties-current	*15*	**188,117**	181,520
Pledged bank deposits		**156,826**	88,113
Bank balances and cash		**448,500**	780,480
Total current assets		**2,151,966**	2,277,234

	Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Current liabilities			
Trade and notes payables	*13*	**887,329**	885,535
Other payables, deposits received and accrued expenses		**137,388**	176,024
Contract liabilities	*11*	**116,244**	115,651
Income tax payable		**19,620**	24,805
Dividends payable		**79,838**	–
Other tax liabilities		**33,809**	57,659
Bank borrowings		**121,312**	53,483
Amounts due to related parties	*15*	**8,238**	23,901
Lease liabilities-current		**8,998**	–
Total current liabilities		**1,412,776**	1,337,058
Net current assets		**739,190**	940,176
Total assets less current liabilities		**2,207,868**	2,193,192
Non-current liabilities			
Deferred tax liabilities		**8,018**	8,018
Bank borrowings		**12,000**	12,000
Lease liabilities-non-current		**3,965**	–
		23,983	20,018
Net assets		**2,183,885**	2,173,174
Capital and reserves			
Share capital	*14*	**67**	67
Reserves		**2,183,863**	2,174,058
Equity attributable to owners of the Company		**2,183,930**	2,174,125
Non-controlling interests		**(45)**	(951)
		2,183,885	2,173,174

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company										
	Share capital	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Statutory surplus reserve	Retained profits	Investment revaluation reserve	Sub-total	Non-controlling Interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(note i)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (Audited)	**67**	**(1,800)**	**371,500**	**(128,167)**	**864,750**	**205,319**	**861,492**	**964**	**2,174,125**	**(951)**	**2,173,174**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**90,767**	**–**	**90,767**	**906**	**91,673**
Other comprehensive income for the period, net of tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,830)**	**(3,830)**	**–**	**(3,830)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**90,767**	**(3,830)**	**86,937**	**906**	**87,843**
Dividends recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**(77,869)**	**–**	**(77,869)**	**–**	**(77,869)**
Repurchase of ordinary shares *(note iv)*	**–**	**(1,701)**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,701)**	**–**	**(1,701)**
Cancellation of treasury shares *(note iv)*	**–**	**3,500**	**–**	**–**	**(3,500)**	**–**	**–**	**–**	**–**	**–**	**–**
Share-based payment	**–**	**–**	**–**	**–**	**2,438**	**–**	**–**	**–**	**2,438**	**–**	**2,438**
	–	**1,799**	**–**	**–**	**(1,062)**	**–**	**(77,869)**	**–**	**(77,132)**	**–**	**(77,132)**
As at 30 June 2019 (Unaudited)	**67**	**(1)**	**371,500**	**(128,167)**	**863,688**	**205,319**	**874,390**	**(2,866)**	**2,183,930**	**(45)**	**2,183,885**
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	(675)	269,038
Other comprehensive income for the period, net of tax	–	–	–	–	–	–	–	–	–	–	–
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

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to set aside 10% of their profit after tax as per statutory financial statements determined under the PRC laws and regulations for the statutory surplus reserve fund until the reserve reach 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity owners of the subsidiaries. The statutory surplus reserve can be used to make up previous years' losses, expand the existing operations or convert into additional capital of the respective subsidiaries.

(ii) On 9 January 2017, the Company redesignated 125,000,000 Class A ordinary shares which were owned by New Asia Limited ("New Asia") to Class B convertible ordinary shares.

(iii) Subsequent to the investment by Sinopec Overseas Investment Holding Limited ("Sinopec") and New Asia, on 11 January 2017, the Company, Mr. Cheng Liquan Richard ("Mr. Cheng"), World Hero, a shareholder of the Company which is wholly owned by Mr. Cheng, and Full Synergy Investment Limited ("Full Synergy"), the Company's financial investor, entered into a share transfer agreement whereby World Hero transferred 24,722,563 Class A ordinary shares in the Company to Full Synergy at the price of approximately RMB1.77 per share for a total consideration of the US dollars equivalent to RMB43,750,000. Immediately after the transfer, the Company agreed to repurchase the 24,722,563 Class A ordinary shares held by Full Synergy in consideration for the allotment and issue of 24,722,563 Class C-3 convertible ordinary shares to Full Synergy.

(iv) During the six months ended 30 June 2019, the Company repurchased 1,105,000 ordinary shares at prices in a range of HK$1.60 (RMB1.38) to HK$1.80 (RMB1.55) per share, and then cancelled all treasury shares on hand that were repurchased previously totaling 2,360,000 shares.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(35,010)**	(103,561)
Cash flows from investing activities		
Placement of pledged bank deposits	**(152,947)**	(32,984)
Withdrawal of pledged bank deposits	**84,234**	49,904
Interest received	**4,861**	20,494
Purchase of property, plant and equipment	**(9,313)**	(19,248)
Proceeds from disposal of property, plant and equipment	**22**	33
Purchase of wealth management products	**–**	(161,002)
Purchase of intangible assets and costs capitalised under service concession arrangements	**(232,288)**	(229,007)
Investment in an associate	**(3,980)**	–
Investment in equity instrument at FVTPL	**(47,478)**	–
Advance to related parties	**3,019**	(26,207)
Repayment from related parties	**–**	18,323
NET CASH USED IN INVESTING ACTIVITIES	**(353,870)**	(379,694)
Cash flows from financing activities		
Repayment of lease liabilities	**(4,821)**	–
New bank borrowings raised	**35,000**	–
Interest paid	**(2,438)**	(2,941)
Proceeds from discounted notes receivables from banks	**32,829**	–
Proceeds from issue of shares	**–**	409,983
Repurchase of ordinary shares	**(1,701)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES	**58,869**	407,042
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(330,011)**	(76,213)
Effects of exchange rate changes	**(1,969)**	16,743
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**780,480**	689,354
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**448,500**	629,884

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 ("IASB") 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 except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

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 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

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 IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

IFRS 16	Leases
IFRIC-23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations. The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. The Group recognised lease liabilities of RMB17,200,000 and right-of-use assets of RMB17,558,000 at 1 January 2019. The transition to IFRS 16 has no impact on retained profits at 1 January 2019.

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:	sewage treatment, sales of by-products and others

Disaggregation of revenue

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	**741,414**	708,422
A point in time	**11,102**	13,300
	752,516	721,722
Types of goods and services		
Provision of services	**741,414**	708,697
Sales of goods	**11,102**	13,025
	752,516	721,722
Nature of goods and services		
EPC	**268,347**	245,778
O&M	**150,943**	248,620
Concession operation	**322,124**	214,024
Others	**11,102**	13,300
	752,516	721,722

Transaction price allocated to the remaining performance obligations for contracts with customers

The performance obligations for the EPC services and construction services under service concession arrangements have an original expected duration of one year or less. Therefore the transaction price allocated to these unsatisfied contracts is not disclosed as permitted by IFRS 15.

For certain O&M services and the O&M service under service concession arrangements, the Group applies the practical expedient by recognising revenue in the amount to which the Group has right to invoice. The transaction price allocated to these unsatisfied contracts is not disclosed as permitted by IFRS 15.

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.

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

	Segment revenue		Segment profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2019	2018	2019	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
EPC	**268,347**	245,778	**12,293**	13,576
O&M	**150,943**	248,620	**28,274**	118,014
Concession operation	**322,124**	214,024	**71,959**	53,365
Others	**11,102**	13,300	**9,738**	10,661
Total	**752,516**	721,722	**122,264**	195,616
Unallocated other income and other gains and losses			**26,167**	27,636
Unallocated selling and distribution expenses			**(12,194)**	(10,980)
Unallocated administrative expenses			**(45,144)**	(50,507)
Unallocated reversal of impairment losses on financial assets and contract assets			**4,215**	178
Unallocated share of profit of associates			**16,263**	14,941
Unallocated finance costs			**(2,438)**	(2,941)
Unallocated change in fair value of convertible ordinary shares			**–**	133,541
Unallocated listing expenses			**–**	(3,319)
Profit before tax			**109,133**	304,165

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2019 (2018: Nil).

Segment profit represents the gross profit of each segment. 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.

Information about major customers

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

		For the six months ended 30 June	
	Segment	**2019**	2018
		RMB'000	*RMB'000*
Customer A	O&M	*	173,295
Customer B	Concession operation & O&M	*	76,569
Customer C	EPC	*	73,566
Customer D	EPC	**101,595**	*

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**16,735**	21,496
Government grants	**9,333**	6,572
Rental income, net	**817**	475
Fair value gain on equity instrument at FVTPL	**669**	–
Foreign exchange losses	**(3,005)**	(1,074)
Gain on disposal of property, plant and equipment	**6**	10
Others	**1,612**	157
	26,167	27,636

5. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**2,438**	2,941

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC enterprise income tax ("EIT")	**13,923**	30,471
Deferred tax	**3,537**	4,656
Total	**17,460**	35,127

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 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% from 2015 to 2017 and could be re-applied every three years; the current active HNTE certificate has an effective date until December 2021.

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 and could be re-applied every three years, and the current active HNTE certificate has an effective date until November 2019.

In December 2017, 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, by which the desulfurisation program in Puzhou Boqi was entitled to a preferential income tax of three-years free from 2017, followed by a three-year preferential rate of 12.5%.

The applicable tax rate of other PRC subsidiaries of the Company was 25% for the six months ended 30 June 2019 (2018: 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 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the periods has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries and other benefits	**87,850**	67,754
Contributions to retirement benefits scheme	**10,329**	5,807
Share-based payment expenses	**2,438**	4,221
Total staff costs	**100,617**	77,782
Gross rental income from investment properties	**(1,134)**	(1,063)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the periods (included in other income and other gains and losses)	**317**	588
	(817)	(475)
Cost of inventories recognised as expenses (included in cost of sales and services)	**185,075**	232,087
Depreciation of property, plant and equipment	**10,611**	5,345
Depreciation of investment properties	**317**	317
Amortisation of intangible assets	**24,531**	19,145
Research and development expenses	**6,796**	4,913
Auditor's remuneration	**681**	1,687

8. DIVIDENDS

During the current interim period, a final dividend of HK$0.09 per share for the year ended 31 December 2018 (for the year ended 31 December 2107: nil) was declared and unpaid by the end of the current interim period. The directors of the Company have determined not to declare interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

9. 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of calculating earnings per share (profit for the periods attributable to owners of the Company) – basic and diluted	**90,767**	269,713
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,008,532,145**	803,757,748
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,011,996,105**	936,451,392

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion	**17,868**	12,526
Non-current portion	**358,635**	367,029
	376,503	379,555
Expected collection schedule is analysed as follows:		
Within one year	**17,868**	12,526
More than one year, but not more than two years	**20,208**	18,981
More than two years but not more than five years	**119,634**	88,811
More than five years	**218,793**	259,237
	376,503	379,555

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has rights to considerations from customers for the provision of construction, operation and maintenance services. Contract assets arise when the Group has rights to considerations 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 assets are transferred to trade receivables when the rights become unconditional. Remaining rights and performance obligations in a particular contract are accounted for and presented on a net basis, as either a contract asset or a contract liability.

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Construction contracts analysed for reporting purposes as follows:		
Contract assets	**246,490**	204,289
Contract liabilities	**(116,244)**	(115,651)
Contract assets are analysed for reporting purposes as follows:		
Current	**246,490**	204,289
	246,490	204,289
Contract liabilities are analysed for reporting purposes as follows:		
Current	**116,244**	115,651
	116,244	115,651

12. TRADE AND NOTES RECEIVABLES

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Trade receivables	**721,178**	802,046
Less: Allowance for doubtful debts	**(21,043)**	(22,976)
	700,135	779,070

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.

Trade receivables relate to a number of independent customers that have a good track record with the Group. The allowance for doubtful debts of the Group is based on the evaluation of collectability and aging analysis of individual trade debts performed by the Directors. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

Notes receivables are bank acceptance notes and the aging is generally within 90 days to 180 days, which the Directors believe that no impairment allowance is necessary as there is no significant change in credit quality and the balances are considered fully recoverable.

Aging analysis of trade receivables net of allowance for credit losses based on invoice date or notes receiving dates is as follows:

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
1 – 90 days	**275,669**	448,239
91 – 180 days	**95,110**	75,851
181 – 365 days	**202,668**	121,812
1 – 2 years	**81,779**	81,775
2 – 3 years	**14,027**	18,454
Over 3 years	**30,882**	32,939
	700,135	779,070

13. TRADE AND NOTES PAYABLES

	As at 30 June 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Trade payables	**609,664**	695,360
Notes payables	**277,665**	190,175
Total	**887,329**	885,535

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 2019 *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Less than 90 days	**364,588**	349,822
90 – 180 days	**162,365**	194,485
180 days – 1 year	**119,758**	92,898
1 – 2 years	**107,641**	87,244
2 – 3 years	**43,499**	58,310
Over 3 years	**89,478**	102,776
Total	**887,329**	885,535

14. SHARE CAPITAL

Details of the movement of share capital are as follows:

	Number of of shares	Nominal value per share *US$*	Share capital *US$*
Authorised			
At 31 December 2018 and 30 June 2019 (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 2018 (Audited)	–	475,277,437	125,000,000	194,376,362	794,653,799	0.00001	4,753
Conversion of Class A 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-1 convertible ordinary Shares to ordinary shares	27,573,529	–	–	(27,573,529)	–	0.00001	276
Conversion of Class C-2 convertible ordinary Shares to ordinary shares	110,294,118	–	–	(110,294,118)	–	0.00001	1,103
Conversion of Class C-3 convertible ordinary Shares to ordinary shares	56,508,715	–	–	(56,508,715)	–	0.00001	565
Issue of new shares upon listing	216,105,000	–	–	–	216,105,000	0.00001	2,161
At 31 December 2018 (Audited)	1,010,758,799	–	–	–	1,010,758,799	0.00001	10,108
Cancellation of treasury shares	(2,360,000)	–	–	–	(2,360,000)	0.00001	(24)
At 30 June 2019 (Unaudited)	1,008,398,799	–	–	–	1,008,398,799	0.00001	10,084

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Presented as	**67**	67

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amounts due from related parties

Amounts due from related parties – trade nature

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Yangxi Haibin Electric Power Development Co., Ltd. ("Yangxi Electric")	**140,064**	100,868
Yangmei Group Shouyang Boqi Electricity Co., Ltd. ("Shouyang Power")	**27,057**	26,735
Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai")	**13,374**	47,007
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Sinopec Shanghai Gaoqiao")	**3,868**	6,590
Chongqing Chuanwei Petrochemical Engineering Company Limited of the Sinopec Group ("Chongqing Chuanwei")	**2,880**	–
Sinopec Fifth Construction	**482**	–
Richinfo Technology Co., Ltd. ("Richinfo")	**12**	–
	187,737	181,200

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 31 December 2018 *RMB'000* (Audited)
Analysed for reporting purpose as:		
Current assets	**187,737**	181,200
	187,737	181,200

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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 – 90 days	**44,227**	72,896
91 – 180 days	**82,800**	66,412
181 – 365 days	**30,645**	8,290
1 – 2 years	**30,065**	33,602
Over 3 years	**–**	–
	187,737	181,200

Amounts due from related parties – non-trade nature

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Yangxi Electric *(note (i))*	**140,208**	143,287
Han Chuan Long Yuan *(note (ii))*	**380**	320
	140,588	143,607

Notes:

(i) On 28 August 2017, the Group entered into a revised management service agreement with Guangdong Huaxia Electric and Yangxi Electric to extend the O&M service term from 1 January 2017 to 31 December 2017 to a term from 1 January 2017 to 31 December 2025 and require a deposit of RMB139,690,000, which was paid by the Group on 31 December 2017. The deposit is unsecured, and repayable at the end of the O&M service term.

(ii) The balances are all unsecured, interest-free and repayable on demand.

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed for reporting purpose as:		
Current assets	**380**	320
Non-current assets	**140,208**	143,287
	140,588	143,607

(b) Amounts due to related parties

Amounts due to related parties – trade nature

	As at 30 June 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Boqi Environmental Engineering	**176**	176
Chongqing Chuanwei Petrochemical Engineering Company Limited ("Chongqing Chuanwei")	**–**	10,546
Sinopec Ningbo Engineering Co., Ltd ("Sinopec Ningbo")	**8,062**	9,718
Sinopec Fifth Construction Co., Ltd.	**–**	2,765
Richinfo Technology Co., Ltd *(note)*	**–**	696
	8,238	23,901

Note: Richinfo is owned as to 49.5% by Mr. Zeng and an independent third party in aggregate acting-in-correct 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 2019 ***RMB'000*** **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
1 – 90 days	**–**	23,525
181 – 365 days	**8,062**	–
Over 3 years	**176**	376
	8,238	23,901

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

	As at 30 June 2019 *RMB'000* (Unaudited)	As at 30 June 2018 *RMB'000* (Unaudited)
Yangxi *(note (i))*		
– O&M service	**63,824**	173,295
– Interest income	**3,080**	3,080
– Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi	**26,896**	42,627
Shouyang Power *(note (ii))*		
– EPC service	**–**	(32)
Sinopec Shanghai *(note (iii))*		
– EPC service	**–**	43,419
Sinopec Shanghai Gaoqiao *(note (iv))*		
– EPC service	**–**	5,017
Richinfo		
– Purchase of intangible assets	**9**	11
Sinopec Fifth Construction Co., Ltd. *(note (v))*		
– Purchase of equipments	**4,956**	–
– Purchase of construction service	**8,576**	–
Chongqing Chuanwei		
– EPC service *(note (vi))*	**44,085**	–
Sinopec Ningbo		
– EPC service *(note (vii)*	**11,610**	–

Notes:

(i) In December 2016, the Group entered into a management service agreement, pursuant to which the Group provided O&M service to Yangxi Electric, and RMB63,824,000 was recognised as revenue during the six months ended 30 June 2019 (2018: RMB173,295,000). The Group also purchases water and electricity, labor, space parts and miscellaneous items from Yangxi Electric to support the O&M service. During the six months ended 30 June 2019, the Group purchased RMB26,896,000 (2018: RMB42,627,000) water and electricity, labor, space parts and miscellaneous items from Yangxi Electric;

(ii) 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 nil was recognised as loss during the period ended June 30, 2019 (2018: RMB32,000);

(iii) In March 2017, the Group entered into an EPC service contract with Sinopec Shanghai for a total contract of RMB224,626,000, of which nil was recognised as revenue during the period ended 30 June 2019 (2018: revenue RMB43,419,000);

(iv) 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 nil was recognised as revenue during the period ended 30 June 2019 (2018: RMB5,017,000);

(v) During the period ended 30 June 2019, the Group purchases equipments and construction service from Sinopec Fifth Construction for certain EPC contract amount of RMB4,956,000 and RMB8,576,000, respectively;

(vi) In September 2018, the Group entered into an EPC service contract with Chongqing Chuanwei for a total contract amount of RMB194,870,000,of which RMB44,085,000 were recognised as revenue during the period ended 30 June 2019;

(vii) In August 2018, the Group entered into an EPC service contract with Sinopec NingBo Engineering for a total contract amount of RMB24,800,000, of which RMB11,610,000 were recognised as revenue during the period ended 30 June 2019.

(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 14 January 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. 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 a leading enterprise in the ecological environmental protection industry in the People's Republic of China ("**PRC**" or "**China**"). The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 March 2018 (stock code: 2377). The Group provides environmental protection and energy-saving solutions with a focus on air pollution control of electricity and non-electricity sectors. The Group provides air pollution treatment services such as flue gas desulfurization, flue gas denitrification, dust removal, and comprehensive flue gas treatment. The Group commenced the flue gas treatment business in 2003 and is among the first participants in the flue gas treatment industry in China. In recent years, the Group successfully expanded its business into the flue gas treatment market for non-electricity sectors such as steel, petrochemical and electrolytic aluminum, and actively explored the business of industrial sewage treatment. With its extensive experience and professional capabilities in R&D and design, construction and operation, and operation and management, the Group has significantly reduced pollutant emissions and effectively improved productivity of the customers, thus making outstanding contributions to improving air quality, environmental protection, green economy, and sustainable development. The Group has committed itself in developing into a world-class enterprise in the comprehensive environmental protection industry and an intelligent provider of environment protection housekeeper service, making positive contributions to environmental protection and ecological civilization construction in China and around the world.

I. INDUSTRY OVERVIEW

In the first half of 2019, the environmental protection industry in China experienced a new development. On the one hand, the PRC government continued to strengthen the comprehensive supervision of water, soil, solid waste and gas, stressing that it will continue to fight the battle of pollution prevention and control, which strongly promoted the development of environmental protection industry in China and brought larger development space for environmental protection industries. On the other hand, after the tightening financing environment in 2018, environmental protection enterprises in China faced intensified competition in the industry and developed towards high quality. Only enterprises with strong comprehensive capabilities in technology, management, investment, construction and operation can become pioneers in the industry.

The Soil Pollution Prevention and Control Law of the PRC (《中華人民共和國土壤污染防治法》) has been implemented since 1 January 2019. This is the first special law on soil pollution prevention and control promulgated in China, which has improved the legal system on ecological environmental protection and pollution prevention and control. The law clearly stipulates the basic principles, basic systems, preventive protection, control and restoration, economic measures, regulatory supervision and legal responsibilities in relation to soil pollution prevention and control.

On 27 February 2019, the Ministry of Ecology and Environment of the PRC issued a notice on the issuance of the Key Points of National Air Pollution Prevention and Control Work for 2019 (《2019年全國大氣污染防治工作要點》), proposing the goals that, in 2019, the annual average concentration of fine particulate matter (PM2.5) in cities throughout the PRC that failed to meet the standards should decrease by 2% year-on-year, and the average proportion of days with excellent air quality in cities at prefecture level and above should reach 79.4%; the national total emissions of sulfur dioxide (SO_2) and nitrogen oxides (NO_X) should be reduced by 3% year-on-year. It further proposed to promote the transformation of steel enterprises for ultra-low emissions and to accelerate the management of volatile organic compounds (VOCs) in key industries.

On 28 April 2019, five government ministries of China, including the Ministry of Ecology and Environment of PRC and the National Development and Reform Commission of PRC jointly issued the Opinions on Promoting the Implementation of Ultra-low Emissions in the Steel Industry (《關於推進實施鋼鐵行業超低排放的意見》), proposing to enhance policy support in, among other things, taxation, capital, price, finance and environmental protection for enterprises in the steel industry that have completed the transformation for ultra-low emissions, strengthen corporate responsibility, adopt strict evaluation and management, and strengthen supervision and enforcement. By the end of 2020, the key areas should have made significant progress in the transformation of steel enterprises for ultra-low emissions, and shall strive to complete the transformation of about 60% of the production capacity; by the end of 2025, the key areas shall have basically completed the transformation, and the country shall strive to complete more than 80% of the production capacity.

On 17 June 2019, the General Office of the CPC Central Committee and the General Office of the State Council of PRC issued the Regulations on the Central Government's Supervision of the Ecological Environmental Protection (《中央生態環境保護督查工作規定》), aiming to standardize the supervision of ecological environmental protection, strictly fulfill the responsibility of ecological environmental protection, promote the construction of ecological civilization, and build a beautiful China. Around the corner of the second round of Central Government's Supervision of the Ecological Environmental Protection, the issue of the Regulations further demonstrated the determination of the CPC Central Committee and the State Council of the PRC to strengthen construction of ecological civilization and enhance ecological environmental protection. Enterprises in China shall strengthen governance on aspect such as air, water, and solid waste to meet emission standard, further heightening the market demand in environmental protection industry.

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 covers the entire industry-chain of the flue gas treatment industry, from project design, equipment procurement and facilities construction to operation and maintenance and concession operation of flue gas treatment facilities. In the first half of 2019, the Group entered into an agreement to acquire a sewage treatment center of Shanxi Lubao Industrial Park in China and shall successfully begin its industrial sewage treatment business. The Group is gradually transforming its role from a coordinated flue gas solution provider to the intelligent environmental protection housekeeper in relation to flue gas, water, soil and solid waste issues. Moreover, the Group's business has a broad geographic coverage, reaching approximately 30 provinces, municipalities and autonomous regions in China. Furthermore, the Group has been striving to expand its business overseas, including in Europe, South Asia, Latin America, Africa and Southeast Asia.

As of 30 June 2019, the Group had also executed, or had been implementing, over 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 is principally engaged in flue gas treatment business in three segments, namely flue gas desulfurization, flue gas denitrification and dust removal, with their respective business models. The Group also provided sewage treatment services to coal-fired power plants and intends to continuously expand its existing comprehensive environmental protection business in coal-fired power plants to provide energy conservation and environmental protection solutions to its customers by focusing on zero discharge of waste water 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 (including "**Build-Operate-Transfer**" or "**BOT**" and "**Build-Own-Operate**" or "**BOO**").

EPC

A typical EPC business model 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 primarily for power plants, aluminum factories, steel factories and chemical plants. The Group acts as the main contractor and is responsible for the design of the 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 a project to the customer upon its completion and inspection by the competent government authority or independent third parties or customers.

In the first half of 2019, the Group further expanded its market share in the steel flue gas treatment market by entering into contracts in relation to the flue gas treatment project for 350 m^2 sintering machine of Tianjin Iron Factory and the flue gas treatment project for 90 m^2 sintering machine with Jinyuan Industrial Co., Ltd.. The performance of the Group in the steel industry continued to grow. The Group undertook the flue gas desulfurization and denitrification project for the LUCKY 1 x 660MW coal-fired power station in Pakistan, which was the Group's another breakthrough in the overseas market in response to China's "Belt and Road" and "China-Pakistan Economic Corridor" policy initiatives. As of 30 June 2019, the Group's overseas desulfurization units have accumulated a capacity of 5,707 MW.

In the first half of 2019, the total contract value of new EPC projects (including desulfurization, denitrification and dust removal projects) of the Group amounted to RMB358 million, of which the contract value of new EPC projects in steel industry was RMB226 million, with a cumulative sintering machine area of 440 m^2 in steel factories. The following table sets forth the status of the EPC projects under construction as of 30 June 2019:

No.	Environmental protection facility engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract *(Month/Year)*	Contract value *(RMB million)*
1.	Shentou Electric Power Phase II Desulfurization System and WESP Project	Desulfurization and dust removal	Newly built	December 2014	354
2.	Beihai Desulfurization Project	Desulfurization	Newly built	November 2015	150
3.	Shouyang Green Island Project	Green Island	Newly built	December 2015	288
4.	Shangqiu Desulfurization Project	Desulfurization	Newly built	June 2016	86
5.	Phase II Desulfurization EP Project in Serbia	Desulfurization	Newly built	September 2016	90
6.	Seawater Desulfurization System Equipment and Supply Project in Pakistan	Desulfurization	Newly built	November 2016	91
7.	Xinjiang New Energy #1-2 Unit Desulfurization Project	Desulfurization	Newly built	December 2016	72
8.	Gaoqiao Denitrification System Supplies Procurement Project	Denitrification	Upgraded	April 2017	17
9.	Nanyang Desulfurization Project	Desulfurization	Newly built	March 2017	168
10.	Xinjiang Guotai Xinhua Zhundong Phase I Ultra-low Emiossion Upgrade Project	Desulfurization	Upgraded	May 2018	39
11.	Jinxi Wantong 1#, 2#, 3# Sintering Machines Flue-gas Ultra-low Emission Project	Green Island	Upgraded	May 2018	216
12.	Jingneng Gao'antun Gas-fired Thermal Power Co., Ltd Waster Heat Boiler Denitrification Upgrade Project	Denitrification	Upgraded	June 2018	24

No.	Environmental protection facility engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract *(Month/Year)*	Contract value *(RMB million)*
13.	Shandong Haihua Thermal Power Company Third Power Plant Desulfurization, Dust Removal and Expansion and Upgrade Project	Desulfurization and dust removal	Expansion and upgraded	July 2018	50
14.	Jingxi Gas Thermal Power Plant #1,#3 Boiler Denitrification System Technical Upgrade Project	Denitrification	Upgraded	August 2018	17
15.	Zhongke Joint Venture Guangdong Refining and Chemical Integration Project Denitrification Project	Denitrification	Newly built	September 2018	25
16.	Chuanwei Denitrification, Desulfurization and Dust Removal Ultra Low Emissions Reconstruction Project	Green Island	Upgraded	September 2018	206
17.	Weiqiao Group Aluminium Power One, Two, Three, Four, Five, Yangxin and Beihai Electrolytic Aluminum Flue Gas Desulfurization Project	Desulfurization	Upgraded	November 2018	156
18.	Tianjin Iron Factory 350m^2 Sintering Machines Flue Gas Treatment Project	Desulfurization, denitrification and dust removal	Upgraded	March 2019	164
19.	Power China Lucky 660MW Coal-fired Power Plant Desulfurization Procurement Project in Pakistan	Desulfurization	Newly built	April 2019	132
20.	Jinyuan Industrial Co., Ltd. 90m^2 Sintering Machines Flue Gas Treatment Project	Desulfurization, denitrification and dust removal	Newly built	April 2019	62

O&M

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

In the first half of 2019, the Group acted as a contractor under the O&M projects to provide desulfurization, denitrification and dust removal operation services. Regular maintenance services included provision of technical support, facilities testing, maintenance services and spare parts replacement for flue gas facilities. In the first half of 2019, the Group had 15 O&M projects under operation with an aggregate installed capacity of 22,340 MW. Such projects have operated consistently with their emissions in compliance with required standards. They shall provide stable growth in the business of the Group. In particular, the Group entered into new contracts in relation to O&M projects in the steel industry, namely Jinxi Iron and Steel O&M Project and Jinxi Special Steel O&M Project, which was a breakthrough in the steel O&M industry.

The following table sets forth the installed capacities and status of the O&M projects of the Group under operation as of 30 June 2019:

No.	Project name	Type of project	Starting date of service *(Month/Year)*	Expiring date of service contract *(Month/Year)*	Installed capacity
1.	Yangcheng #1-6 Unit Flue Gas Desulfurization O&M Project	Desulfurization	July 2018	August 2019	6×350MW
2.	Yangcheng #7-8 Unit Flue Gas Desulfurization O&M Project	Desulfurization	June 2018	August 2019	2×600MW
3.	Yangcheng #7-8 Unit Slag Removal O&M Project	Slag removal	June 2018	August 2019	2×600MW
4.	Bulian Flue Gas Desulfurization O&M Project	Desulfurization	April 2013	June 2019	2×660MW

No.	Project name	Type of project	Starting date of service *(Month/Year)*	Expiring date of service contract *(Month/Year)*	Installed capacity
5.	Qinzhou Desulfurization Q&M Project	Desulfurization	July 2015	June 2021	2×630MW+ 2×1,000MW
6.	Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	March 2016	March 2020	2×660MW
7.	Tianjin SDIC Jinneng Power Plant Desulfurization, WESP and Water Intake System Operation and Cleaning Project	Desulfurization	August 2016	December 2020	4×1,000MW
8.	Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitirfication	January 2017	December 2025	2×660MW+ 2×600MW
9.	Chengde Desulfurization O&M Project	Desulfurization	May 2017	September 2019	2×350MW
10.	Shouguang Auxiliary Ashing and Sulfurization Control System Entrusted Operation Project	Desulfurization	May 2018	May 2021	2×1,000WM
11.	Shanyin Phase II Environmental Protection O&M Project	Denitrification, desulfurization and dust removal	June 2018	May 2021	2×350MW
12.	Jiantou Zunhua Auxiliary System Entrusted Operation Project	Desulfurization	August 2018	July 2019	2×350MW
13.	Xilinhot Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	Expected to be August 2019	Expected to be July 2020	2×660MW
14.	Jinxi Iron and Steel O&M Project	Desulfurization, denitrification and dust removal	March 2019	February 2022	265m^2 sintering machines
15.	Jinxi Special Steel O&M Project	Desulfurization, denitrification and dust removal	March 2019	February 2022	2×210m^2+ 1×265m^2 sintering machines

Concession Operation Business

Under the concession operation business model, the Group is responsible for the financing, investment, construction and upgrading of a project according to its concession contracts with its customers. In general, the concession projects are funded by the Group's internal funds or borrowings from local banks. Upon the completion of construction, the Group owns the project assets and operates the project for a period specified 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 from the concession operation business during the operation phase of the relevant projects are calculated based on the on-grid power generation of the customer during the operation phase multiplied by the unit price specified in the concession contract, which is generally settled every calendar month. Further, the Group also generates revenues from the sales of by-products during the operation of the environmental protection facilities. The fees that the Group receives for the provision of concession services under concession agreement typically include service fees based on a guaranteed minimum flue gas treatment volume multiplied by a fixed unit price (pre-determined at the time the concession agreement is entered into with the customer) and such fees are subject to adjustment by certain variable costs the Group incurred.

In the first half of 2019, 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 of 30 June 2019, the Group has accumulated 9 concession operation projects with two currently under construction and seven in operation, laying a strong foundation for us to operate continuously and develop steadily.

The following table sets forth details of the concession operation projects of the Group under operation as of 30 June 2019:

No.	Project name	Installed capacity	Type of project	Newly built/ upgraded	Total investment *RMB million*	Date of signing contract *(Month/Year)*	Ending date of concession period *(Month/Year)*
1.	Jiangxi Jinggangshan BOT Project	2×300MW+ 2×660MW	Desulfurization	Newly built	224	January 2008 (for Phase I) August 2008 (for Phase II)	July 2030 (for Phase I) December 2030 (for Phase II)
2.	Shanxi Hejin BOT Project	2×350MW	Denitrification	Newly built	90	June 2012	September 2033 (for Unit #1) May 2033 (for Unit #2)
3.	Shanxi Puzhou Phase I BOT Project	2×300MW	Denitrification	Newly built	84	June 2012	January 2034 (for Unit #1) May 2033 (for Unit #2)
4.	Shanxi Puzhou Phase II BOT Project	2×350MW	Denitrification	Newly built	112	May 2014	End of 2037

No.	Project name	Installed capacity	Type of project	Newly built/ upgraded	Total investment *RMB million*	Date of signing contract *(Month/Year)*	Ending date of concession period *(Month/Year)*
5.	Shanxi Yuguang BOT Project	2×300MW	Green Island	Upgraded	82	May 2015	February 2036 (for Unit #1) May 2035 (for Unit #2)
6.	Xinjiang Shenhuo BOT Project	4×350MW	Green Island	Upgraded	490	June 2017	End of 2032
7.	Huainan Guqiao BOT Project	2×330MW	Green Island	Upgraded	173	May 2018	End of 2033
8.	Xinjiang Guotai Xinhua BOT Project	2×350MW	Green Island	Upgraded	150	July 2018	June 2028
9.	Guangxi Laibin Desulfurization, Denitrification and Dust Removal BOO Project	2×300MW	Green Island	Upgraded	281	December 2018	End of 2033

Industrial Sewage Treatment Business

In the first half of 2019, the Group entered into an agreement to acquire a sewage treatment center in Shanxi Lubao Industrial Park in China ("**Lubao Sewage Treatment Center**") at a cash consideration of RMB300,000,000. The designed capacity of the wastewater (sewage) biological treatment unit, the wastewater (sewage) advanced treatment and recycling unit, and the reclaimed water and sewage recycling unit is 560 m^3/h, 560 m^3/h and 400 m^3/h, respectively. The operation of Lubao Sewage Treatment Center requires application of advanced technologies, including ultrafiltration, nanofiltration, reverse osmosis and other processes. With wastewater biochemical treatment, wastewater advanced recycling equipment and reclaimed water and sewage recycling, it operates throughout the business chain.

The sewage treatment business is one of the new directions for the Group's future development. Through the acquisition of Lubao Sewage Treatment Center, the Group will successfully explore a new sector in the environmental protection market, which will bring continuous and stable benefits to the Group's performance. The Group regards Lubao Sewage Treatment Center as a demonstration project for such industry and intends to train a team of technology and operating professionals in industrial sewage treatment, so as to lay a solid foundation for the development of the sewage treatment market of chemical parks in China.

III. FINANCIAL POSITION AND OPERATING RESULTS

In the first half of 2019, Chinese economy showed down trend, due to the global economy in the down-turn and the US-China trade war. However, in order to drive its strategic transformation, China Boqi has expanded the market share, adjusted its business structure and driven growth; as a result it kept a stable operation and financial position. The number of contracts, income of sales and amount received increased as compared with the corresponding period of last year; net profit decreased due to the power generated by the thermal power industry; and the structure of assets remained sound.

Revenue

For the six months ended 30 June 2019, the Group's total revenue increased by 4.3% to RMB753 million as compared with RMB722 million for the first half of 2018, primarily attributable to the significant increase in revenue of each BOT segment of the Group during the Reporting Period.

The Group generated 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 the revenue of the Group by segment for the periods stated.

	Segment revenue Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
EPC	**268,347**	245,778
O&M	**150,943**	248,620
Concession Operation	**322,124**	214,024
Others	**11,102**	13,300
Total	**752,516**	721,722

In the first half of 2019, the Group's revenue generated from the EPC business increased by 8.9% to RMB268 million as compared with RMB246 million for the first half of 2018, mainly attributable to the increased number of projects newly contracted by the Group in steel, petrochemical and electrolytic aluminum fields as compared with the corresponding period of last year.

In the first half of 2019, the Group's revenue generated from the O&M business decreased by 39.4% to RMB151 million as compared with RMB249 million for the first half of 2018. The decrease was mainly attributable to the decrease in power generation hours due to the changed service content of O&M projects for large-scaled power generation contracted by the Group and the overhauling.

In the first half of 2019, revenue from concession operation business increased by 50.5% to RMB322 million as compared with RMB214 million for the first half of 2018, mainly attributable to the commencement of operation of the Group's certain BOT projects upon completion of transformation, as well as the construction income of newly contracted BOT projects during the Reporting Period.

Cost of Sales and Services

For the six months ended 30 June 2019, the Group's cost of sales and services increased by 19.8% to RMB630 million as compared with RMB526 million for the six months ended 30 June 2018, mainly attributable to the increase in cost resulting from the increased projects of BOT 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. For the six months ended 30 June 2019, the cost of sales and services for the Group's EPC business increased by 10.3% to RMB256 million as compared with RMB232 million for the six months ended 30 June 2018, mainly attributable to the increase in newly contracted projects in steel, petrochemical and electrolytic aluminum fields and the recognition of costs of certain projects.

Cost of sales and services for the O&M business consists of raw materials costs, staff costs and repair and maintenance costs. For the six months ended 30 June 2019, the cost of sales and services for the Group's O&M business decreased by 6.1% to RMB123 million as compared with RMB131 million for the six months ended 30 June 2018, mainly attributable to the decrease in power generation of the Group's O&M projects.

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. In the first half of 2019, the cost of sales and services for the Group's concession operation business increased by 55.3% to RMB250 million as compared with RMB161 million for the first half of 2018, mainly attributable to the commencement of operation of newly constructed projects of the Group and the increase in costs of newly built BOT projects.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2019, the Group's consolidated gross profit decreased year-on-year. The gross profit of the Group decreased by 37.8% to RMB122 million as compared with RMB196 million for the first half of 2018, mainly attributable to the significant reduction in gross profit of the Group's large-scale O&M projects affected by power generation and the lower gross profit of newly contracted EPC projects.

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 2019		For the six months ended 30 June 2018	
	RMB'000	***Gross Profit Margin %***	*RMB'000*	*Gross Profit Margin %*
EPC	**12,293**	**4.6**	13,576	5.5
O&M	**28,274**	**18.7**	118,014	47.5
Concession Operation	**71,959**	**22.3**	53,365	24.9
Others	**9,738**	**87.7**	10,661	80.2
Total	**122,264**	**16.2**	195,616	27.1

The gross profit of the Group's EPC business decreased by 14.3% to RMB12 million as compared with RMB14 million for the first half of 2018, mainly attributable to the decrease in profit of the projects due to the delay of some engineering projects and the increase in steel prices.

The gross profit of the Group's O&M business decreased by 76.3% to RMB28 million as compared with RMB118 million for the first half of 2018, mainly attributable to the decrease in power generation hours due to the changed service content of O&M projects for large-scaled power generation contracted by the Group and the overhauling.

The gross profit of the Group's concession operation business increased by 35.9% to RMB72 million as compared with RMB53 million for the first half of 2018, mainly attributable to the commencement of operation of the Group's upgraded BOT projects, and the investment and construction of new BOT projects.

IMPORTANT EVENTS HAPPENING AFTER THE REPORTING 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 2019.

OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

The ecological environment protection industry in China has entered into a new development stage in 2019. With fading of the capital boom and strengthening of environmental protection regulation, the environmental protection industry is under pressure to undergo a new phase of change and reorganisation, and will enter into a phase of transformation. Faced with a new competition landscape and looking forward, the Group shall stay true to its mission and forge ahead, vigorously explore new businesses, and improve its core competitiveness, with an aim to become a world class integrated environmental protection industry group and an intelligent environmental protection and housekeeping service provider.

The Group shall focus on the following key works in the second half of 2019:

Strategic Adjustment of Flue Gas Treatment Business

The PRC government has always placed great attention to the air pollution prevention and control, especially the air pollution prevention and control in non-electric fields in recent years. The ultra-low emission modification in non-electric field is of great urgency. In the second half of 2019, on one hand, the Group shall seize the opportunities in air pollution prevention and control in non-electric industries, continue to expand its market share in the flue gas treatment in fields such as steel, petrochemical and electrolytic aluminum, and intend to obtain more businesses by leveraging on its project experiences and technical and capital advantages; on the other hand, the Group shall continue to enhance the cooperation with overseas energy engineering companies and large technical companies and expand its market shares overseas with the help of policy initiatives such as "One Belt One Road" and "Going Out".

Vigorous Development of Industrial Sewage Treatment and Environmental Restoration Business

2019 shall not only be a period of transformation for the environmental protection industry, but also a new starting point for the Group to reform, innovate and strive for breakthroughs. The Group established a water environment department and an environmental restoration department to focus on the sewage treatment and environmental restoration respectively, which are of relatively large scale and high profit in the environmental protection industry. The Group entered into an agreement to acquire the Lubao Sewage Treatment Center in the first half of 2019. In the future, the Group will continue to develop the industrial sewage treatment business by leveraging on the treatment technology and project experience of the Lubao Sewage Treatment Center. In the second half of 2019, the Group shall focus on the exploration of new businesses, enhance the R&D investment for the new businesses, improve technical reserve, pursue high-quality investment and acquisition targets, and promote the diversified business development of the Group by means of technical cooperation, strategic collaboration, and merger and acquisition.

Active Participation in and Preparation for Solid Waste Treatment Business

With the rapid development and urbanization in China, a new era has begun for the ecological civilization, and the problem of ensuring the disposal of urban and industrial wastes in an environmentally friendly way needs to be solved promptly. With the great support from government policies, the solid waste treatment industry in China has entered into a stage of rapid development, and the refined and differentiated solid waste disposal is promoted. In China, the urban waste sorting program started in June 2019, and Shanghai was the first to respond. Huge quantity of industrial solid waste was produced with the development of economy and the waste increased year on year. The Group intends to take an active role in strategically entering the industrial solid waste treatment field, pay close attention to the market trends, improve its technical capacity and employ more technical talents, in order to achieve new business growth for the long-term development of the Group.

INTERIM DIVIDEND

In accordance with the dividend policy announced by the Company on 18 May 2018, the Board considers paying out annual dividend within the range of 30% to 50% of the net profit each year. The Board has resolved not to declare any interim dividend for the six months ended 30 June 2019 (2018: Nil).

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

During the Reporting Period, the Company repurchased 1,105,000 shares of the ordinary shares in the share capital of the Company (the "**Shares**"), in aggregate, on the Stock Exchange at a total consideration of HK$1,938,970, which were cancelled thereafter.

Details of the repurchases are summarized as follows:

Month of repurchase during the Reporting Period	Number of Shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	HK$	HK$
January	764,000	1.80	1.72	1,359,720.00
February	341,000	1.75	1.60	579,250.00

Save for the above, neither the Company nor any member of the Group has purchased, sold or redeemed any of the Company's Shares during the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). Save as disclosed herein, the Company complied with the code provisions as set out in the CG Code during the Reporting Period. The Company will continue to review and enhance its corporate governance practice 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 Reporting 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 Reporting Period after making reasonable enquiry.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises the two independent non-executive Directors and one non-executive Director. 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 2019.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2019 (the "**2019 Interim Report**"). The Audit Committee has not expressed any dissent concerning the 2019 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 2019 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 in due course.

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

Hong Kong, 28 August 2019

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

For identification purposes only