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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 2020**

FINANCIAL AND OPERATION HIGHLIGHTS

For the six months ended 30 June 2020, the revenue of the Group amounted to RMB658 million, representing a decrease of 12.6% as compared to the same period last year.

For the six months ended 30 June 2020, the gross profit of the Group amounted to RMB167 million and the gross profit margin of the Group was 25.4%, representing an increase of 36.9% and 9.2 percentage points respectively as compared to the same period last year.

For the six months ended 30 June 2020, the net profit of the Group amounted to RMB106 million and the net profit margin of the Group was 16.1%, representing an increase of 15.2% and 3.9 percentage points respectively as compared to the same period last year.

The board (the “**Board**”) of directors (the “**Directors**”) of China Boqi Environmental (Holding) Co., Ltd. (the “**Company**” or “**China Boqi**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2020 (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 2020.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<i>Notes</i>	For the six months ended 30 June	
		2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Revenue	3	658,191	752,516
Cost of sales and services		(491,252)	(630,252)
Gross profit		166,939	122,264
Other income and other gains and losses	4	12,671	26,167
Selling and distribution expenses		(8,767)	(12,194)
Administrative expenses		(31,294)	(38,348)
Research and development expenses		(17,445)	(6,796)
Reversal of impairment losses on financial assets and contract assets		(1,394)	4,215
Share of profit of associates		9,201	16,263
Finance costs	5	(2,246)	(2,438)
Profit before tax		127,665	109,133
Income tax expense	6	(21,419)	(17,460)
Profit for the periods		106,246	91,673
Other comprehensive income for the periods:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value losses on investments in equity instrument at fair value through other comprehensive income		-	(2,544)
Income tax relating to investments in equity instrument at fair value through other comprehensive income		-	382
		-	(2,162)

		For the six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<i>Items that will be reclassified to profit or loss:</i>			
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
		<u>–</u>	<u>104</u>
		<u>–</u>	<u>(1,668)</u>
 Total comprehensive income for the periods		 <u>106,246</u>	 <u>87,843</u>
 Profit for the periods attributable to:			
Owners of the Company		106,382	90,767
Non-controlling interests		(136)	906
		<u>106,246</u>	<u>91,673</u>
 Total comprehensive income for the periods attributable to:			
Owners of the Company		106,382	86,937
Non-controlling interests		(136)	906
		<u>106,246</u>	<u>87,843</u>
 Earnings per share			
– Basic (RMB)	<i>9</i>	0.11	0.09
– Diluted (RMB)	<i>9</i>	0.11	0.09
		<u>0.11</u>	<u>0.09</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment		361,983	377,753
Investment properties		11,397	11,714
Intangible assets		758,408	774,068
Receivables under service concession arrangement	10	350,725	356,429
Investment in associates		92,088	82,887
Amounts due from related parties	15	136,092	138,496
Deferred tax assets		28,477	33,061
		<hr/>	<hr/>
Total non-current assets		1,739,170	1,774,408
		<hr/> <hr/>	<hr/> <hr/>
Current assets			
Receivables under service concession arrangement	10	28,827	20,201
Debt instruments at fair value through other comprehensive income		87,514	197,933
Inventories		38,537	28,915
Equity instrument at fair value through profit or loss		37,992	45,693
		<hr/>	<hr/>
Contract assets	11	215,608	346,602
Trade receivables	12	663,973	590,931
Prepayments, deposits and other receivables		231,161	185,093
Amounts due from related parties	15	147,422	223,589
Pledged bank deposits		108,755	133,181
Bank balances and cash		452,505	450,506
		<hr/>	<hr/>
		2,012,294	2,222,644
		<hr/> <hr/>	<hr/> <hr/>

		As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Current liabilities			
Trade and notes payables	13	755,825	1,021,730
Other payables, deposits received and accrued expenses		296,270	434,657
Contract liabilities	11	184,109	102,390
Income tax payable		26,573	25,495
Borrowings		26,500	107,468
Lease liabilities		3,965	8,892
Amounts due to related parties	15	5,829	11,209
		<u>1,299,071</u>	<u>1,711,841</u>
Net current assets		<u>713,223</u>	<u>510,803</u>
Total assets less current liabilities		<u>2,452,393</u>	<u>2,285,211</u>
Non-current liabilities			
Deferred tax liabilities		10,873	10,873
Bank loans and other borrowings		90,870	–
Lease liabilities		100	180
		<u>101,843</u>	<u>11,053</u>
Net assets		<u>2,350,550</u>	<u>2,274,158</u>
Capital and reserves			
Share capital	14	67	67
Reserves		<u>2,351,493</u>	<u>2,274,965</u>
Equity attributable to owners of the Company		<u>2,351,560</u>	2,275,032
Non-controlling interests		<u>(1,010)</u>	<u>(874)</u>
		<u>2,350,550</u>	<u>2,274,158</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Attributable to owners of the Company								Non-controlling Interests	Total equity
	Share capital	Treasury shares	Merger reserve	Other reserve	Share premium reserve	Statutory surplus reserve	Retained profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020 (audited)	67	(1)	371,500	(128,167)	863,290	243,834	924,509	2,275,032	(874)	2,274,158
Profit for the period	-	-	-	-	-	-	106,382	106,382	(136)	106,246
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	106,382	106,382	(136)	106,246
Dividends recognised as distribution	-	-	-	-	-	-	(29,005)	(29,005)	-	(29,005)
Repurchase of ordinary shares	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	(849)	-	-	(849)	-	(849)
	-	-	-	-	(849)	-	(29,005)	(29,854)	-	(29,854)
As at 30 June 2020 (unaudited)	67	(1)	371,500	(128,167)	862,441	243,834	1,001,886	2,351,560	(1,010)	2,350,550

	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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 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	-	(1,701)	-	-	-	-	-	-	(1,701)	-	(1,701)
Cancellation of treasury shares	-	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

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) The Group did not have any material non-controlling interests during the Reporting Period, and hence no disclosure of material non-controlling interests is made.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	54,037	(35,010)
Cash flows from investing activities		
Placement of pledged bank deposits	(116,182)	(152,947)
Withdrawal of pledged bank deposits	140,608	84,234
Interest received	1,686	4,861
Purchase of property, plant and equipment	(117,097)	(9,313)
Proceeds from disposal of property, plant and equipment	16	22
Purchase of intangible assets and costs capitalised under service concession arrangements	(6,875)	(232,288)
Investment in an associate	–	(3,980)
Investment in equity instrument at FVTPL	–	(47,478)
Advance to related parties	–	3,019
NET CASH USED IN INVESTING ACTIVITIES	(97,844)	(353,870)
Cash flows from financing activities		
Repayment of lease liabilities	(5,062)	(4,821)
Repayment of bank borrowings	(35,060)	–
New bank borrowings raised and proceeds from other borrowings	90,030	35,000
Interest paid	(4,945)	(2,438)
Proceeds from discounted notes receivables from banks	–	32,829
Repurchase of ordinary shares	–	(1,701)
NET CASH GENERATED FROM FINANCING ACTIVITIES	44,963	58,869
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,156	(330,011)
Effects of exchange rate changes	843	(1,969)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	450,506	780,480
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	452,505	448,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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.

The Group has applied the following new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB for the first time in the current year:

Amendments to IAS 1 and IFRS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	COVID-19-Related Rent Concessions

The application of new and amendments to IFRSs for the first time in the current year has no material impact on the disclosure of financial statements of the Group for the current and prior year.

Save as the new and amendments to IFRSs applied for the first time in the current year as mentioned above, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are consistent with those presented in the Group’s annual financial statements for the year ended 31 December 2019.

3. REVENUE AND SEGMENT INFORMATION

Revenue is mainly generated from two business segments, namely flue gas treatment business and water treatment business. In addition, the Group also provided design service in flue gas treatment and engages in the sales of by-products, which are recorded in others.

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

Flue Gas Treatment Business:

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:	sales of by-products and others

Water Treatment Business

mainly involves the sewage treatment for industrial parks in coal chemical, coking and steel sectors

Disaggregation of revenue

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	647,495	741,414
A point in time	10,696	11,102
	<u>658,191</u>	<u>752,516</u>
Types of goods and services		
Provision of services	647,495	741,414
Sales of goods	10,696	11,102
	<u>658,191</u>	<u>752,516</u>
Nature of goods and services		
Flue gas treatment business		
EPC	146,391	268,347
O&M	186,860	150,943
Concession operation	269,144	322,124
Others	10,696	11,102
Water treatment business	45,100	–
	<u>658,191</u>	<u>752,516</u>

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 analysis of the Group's revenue and results by operating and reportable segment is as follows:

	Segment revenue		Segment profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Flue gas treatment business				
EPC	146,391	268,347	9,579	12,293
O&M	186,860	150,943	47,345	28,274
Concession operation	269,144	322,124	76,336	71,959
Of which: Construction	19,884	87,190	436	2,362
Operation	249,260	234,934	75,900	69,597
Others	10,696	11,102	10,696	9,738
Water treatment business	45,100	–	22,983	–
Total	658,191	752,516	166,939	122,264
Unallocated other income and other gains and losses			12,671	26,167
Unallocated selling and distribution expenses			(8,767)	(12,194)
Unallocated administrative expenses			(31,294)	(38,348)
Unallocated research and development expenses			(17,445)	(6,796)
Unallocated reversal of impairment losses on financial assets and contract assets			(1,394)	4,215
Unallocated share of profit of associates			9,201	16,263
Unallocated finance costs			(2,246)	(2,438)
Profit before tax			127,665	109,133

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for the six months ended 30 June 2020 (2019: 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Customer A	66,106	*
Customer B	*	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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	4,779	16,735
Government grants	10,005	9,333
Rental income, net	132	817
Fair value gain on equity instrument at FVTPL	(7,701)	669
Foreign exchange losses	1,180	(3,005)
Gain on disposal of property, plant and equipment	(34)	6
Others	4,310	1,612
	12,671	26,167

5. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other borrowings	2,007	1,826
Interest on lease liabilities	239	612
	2,246	2,438

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC enterprise income tax ("EIT")	16,835	13,923
Deferred tax	4,584	3,537
Total	21,419	17,460

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 Period.

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**”) was designated 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) obtained the approval for being designated as the HNTE for the year ended 31 December 2015 and was entitled to a preferential tax rate of 15% from 2015 to 2017. This may be re-applied every three years; the current active HNTE certificate is effective 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 designated as the HNTE for the year ended 31 December 2016 and entitled Jinggangshan Boqi to a preferential tax rate of 15% from 2016 to 2018. This may be re-applied every three years, and the current active HNTE certificate is effective until September 2021.

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 fully exempted from income tax for three years starting from 2017, and thereafter will be entitled to a three-year preferential rate of 12.5%. Changzhi Boqi Environmental Technology Co., Ltd. (長治博奇環保科技有限公司) obtained the approval, by which the sewage treatment program was fully exempted from income tax for three years starting from 2018, and thereafter will be entitled to a three-year preferential rate of 12.5%.

In January 2019, Huainan Boqi Environmental Technology Co., Ltd. (淮南博奇環保科技有限公司) (“**Huainan Boqi**”) obtained the approval, by which its desulfurisation program was fully exempted from income tax for three years starting from 2019, and thereafter will be entitled to a three-year preferential rate of 12.5%.

In May 2019, Laibin Boqi Environmental Technology Co., Ltd. (來賓博奇環保科技有限公司) (“**Laibin Boqi**”) obtained the approval, by which the desulfurisation program was fully exempted from income tax for three years starting from 2019, and thereafter will be entitled to a three-year preferential rate of 12.5%.

In January 2019, Changjizhou Boqi Environmental Technology Co., Ltd. (昌吉州博奇環保科技有限公司) (“**Changjizhou Boqi**”) obtained the approval, by which Changjizhou Boqi is entitled to a preferential income tax of 15% from 2019 to 2021.

Changzhi Boqi Environmental Technology Co., Ltd. (長治博奇環保科技有限公司) (“**Changzhi Boqi**”) obtained the approval, by which the sewage treatment program was fully exempted from income tax for three years starting from 2018, and thereafter will be entitled to 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 2020 (2019: 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	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the periods has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries and other benefits	93,026	87,850
Contributions to retirement benefits scheme	3,223	10,329
Share-based payment expenses	(849)	2,438
	<u>95,400</u>	<u>100,617</u>
Total staff costs	<u>95,400</u>	<u>100,617</u>
Gross rental income from investment properties	(485)	(1,134)
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)	<u>353</u>	<u>317</u>
	<u>(132)</u>	<u>(817)</u>
Cost of inventories recognised as expenses (included in cost of sales and services)	152,439	185,075
Depreciation of property, plant and equipment	13,671	10,611
Depreciation of investment properties	317	317
Amortisation of intangible assets	34,882	24,531
Research and development expenses	17,445	6,796
Auditor's remuneration	687	681
	<u>687</u>	<u>681</u>

8. DIVIDENDS

During the current interim period, a final dividend of HK\$0.0315 per share in respect of the year ended 31 December 2019 (2019: HK\$0.09 per share in respect of the year ended 31 December 2018) was declared and unpaid by the end of the current interim period. The directors of the Company have determined no dividend will be paid in respect of the interim period of 2020.

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	
	2020	2019
	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	106,382	90,767
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	993,228,799	1,008,532,145
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	995,921,652	1,011,996,105

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

	As at	As at
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current portion	28,827	20,201
Non-current portion	350,725	356,429
	379,552	376,630
Expected collection schedule is analysed as follows:		
Within one year	28,827	20,201
More than one year, but not more than two years	22,419	21,488
More than two years but not more than five years	76,194	73,031
More than five years	252,112	261,910
	379,552	376,630

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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Construction contracts analysed for reporting purposes as follows:		
Contract assets	215,608	346,602
Contract liabilities	<u>(184,109)</u>	<u>(102,390)</u>
Contract assets are analysed for reporting purposes as follows:		
Current	<u>215,608</u>	<u>346,602</u>
	<u>215,608</u>	<u>346,602</u>
Contract liabilities are analysed for reporting purposes as follows:		
Current	<u>184,109</u>	<u>102,390</u>
	<u>184,109</u>	<u>102,390</u>

12. TRADE RECEIVABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	681,883	610,876
Less: Allowance for doubtful debts	<u>(17,910)</u>	<u>(19,945)</u>
	<u>663,973</u>	<u>590,931</u>

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.

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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
1-90 days	299,912	384,520
91-180 days	79,022	21,209
181-365 days	188,157	32,523
1-2 years	61,741	110,461
2-3 years	14,681	22,568
Over 3 years	20,460	19,650
	<u>663,973</u>	<u>590,931</u>

13. TRADE AND NOTES PAYABLES

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	620,975	814,946
Notes payables	134,850	206,784
	<u>755,825</u>	<u>1,021,730</u>

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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Less than 90 days	239,813	360,423
90-180 days	97,115	283,001
180 days-1 year	150,353	111,083
1-2 years	112,638	133,897
2-3 years	111,018	40,411
Over 3 years	44,888	92,915
	<u>755,825</u>	<u>1,021,730</u>

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				
As at 31 December 2019 and 30 June 2020 (Unaudited)		<u>5,000,000,000</u>	<u>0.00001</u>	<u>50,000</u>
Issued				
	Ordinary shares	Total	Nominal value per share US\$	Share capital of ordinary shares and Class A ordinary shares US\$
As at 1 January 2019 (Audited)	1,010,758,799	1,010,758,799	0.00001	10,108
Repurchased and cancelled	<u>(3,652,000)</u>	<u>(3,652,000)</u>	<u>0.00001</u>	<u>(37)</u>
As at 31 December 2019 (Audited)	<u>1,007,106,799</u>	<u>1,007,106,799</u>	<u>0.00001</u>	<u>10,071</u>
As at 30 June 2020 (Unaudited)	<u>1,007,106,799</u>	<u>1,007,106,799</u>	<u>0.00001</u>	<u>10,071</u>
			As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Presented as			<u>67</u>	<u>67</u>

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amounts due from related parties

Amounts due from related parties – trade nature

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Yangxi Haibin Electric Power Development Co., Ltd. ("Yangxi Electric")	91,579	149,377
Yangmei Group Shouyang Boqi Electricity Co., Ltd. ("Shouyang Power")	23,616	25,201
Sinopec Shanghai Petrochemical Company Limited ("Sinopec Shanghai")	1,992	22,636
Sinopec Shanghai Gaoqiao Petrochemical Co., Ltd. ("Sinopec Shanghai Gaoqiao")	–	20
Chongqing Chuanwei Petrochemical Engineering Company Limited of the Sinopec Group ("Chongqing Chuanwei")	25,017	23,586
Sinopec Ningbo	4,534	2,138
	<u>146,738</u>	<u>222,958</u>
	<u>146,738</u>	<u>222,958</u>
	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Analysed for reporting purpose as:		
Current assets	<u>146,738</u>	<u>222,958</u>
	<u>146,738</u>	<u>222,958</u>

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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
1-90 days	10,101	112,663
91-180 days	35,429	55,341
181-365 days	19,450	27,002
1-2 years	58,142	11,874
2-3 years	23,616	16,077
Over 3 years	–	–
	<u>146,738</u>	<u>222,958</u>
	<u>146,738</u>	<u>222,958</u>

Amounts due from related parties – non-trade nature

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Yangxi Electric (<i>note (i)</i>)	136,092	138,496
Han Chuan Long Yuan (<i>Note(ii)</i>)	684	631
	<u>136,776</u>	<u>139,127</u>

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 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Analysed for reporting purpose as:		
Current assets	684	631
Non-current assets	136,092	138,496
	<u>136,776</u>	<u>139,127</u>

(b) Amounts due to related parties

Amounts due to related parties – trade nature

	As at 30 June 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Boqi Environmental Engineering	176	176
Sinopec Fifth Construction Co., Ltd.	5,563	10,915
Richinfo Technology Co., Ltd (<i>note</i>)	90	118
	<u>5,829</u>	<u>11,209</u>

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 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
1-90 days	5,563	10,715
90-180 days	–	30
181-365 days	–	88
1-2 years	90	376
2-3 years	176	–
	<u>5,829</u>	<u>11,209</u>

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 30 June 2019 RMB'000 (Audited)
Yangxi (<i>note (i)</i>)		
– O&M service	66,106	63,824
– Interest income	3,080	3,080
– Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi	24,857	26,896
Richinfo		
– Purchase of intangible assets	–	9
Chongqing Chuanwei		
– EPC service (<i>note (ii)</i>)	16,255	44,085
Sinopec Fifth Construction Co., Ltd. (<i>note (iii)</i>)		
– Purchase of equipments	–	4,956
– Purchase of construction service	–	8,576
Sinopec Ningbo		
– EPC service (<i>note (iv)</i>)	–	11,610
	<u>–</u>	<u>11,610</u>

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 RMB66,106,000 was recognised as revenue during the six months ended 30 June 2020 (first half of 2019: RMB63,824,000). 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 2020, the Group purchased RMB24,857,000 (first half of 2019: RMB26,896,000) water and electricity, labor, space parts and miscellaneous items from Yangxi Electric;
- (ii) 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 RMB16,255,000 were recognised as revenue during the period ended 30 June 2020 (first half of 2019: revenue of RMB44,085,000);
- (iii) For the period ending 30 June 2020, the amount of revenue from the Group's purchase of equipment and construction services from Sinopec Fifth Construction for certain EPC contracts was zero. (first half of 2019: the revenue from equipment purchase and construction service was RMB4,956,000 and RMB8,576,000 respectively);
- (iv) In August 2018, the Group entered into an EPC service contract with Sinopec Ningbo Engineering, with a total contract amount of RMB24,800,000, of which no revenue was recognized for the period ended 30 June 2020 (first half of 2019: revenue of RMB11,610,000).

(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 committed to becoming a world-class comprehensive environmental industrial group and a service provider of intelligent green housekeeping. The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited on 16 March 2018 (stock code: 2377). The Group provides comprehensive one-stop environmental protection and energy conservation services to large-scale industrial customers in energy, chemical and manufacturing industries, by mainly engaging in the businesses of flue gas treatment, water treatment, hazardous and solid waste treatment/disposal and energy conservation and environmental protection.

During the Reporting Period, the Group intended to invest in the Cooperative Hazardous and Solid Waste Disposal Project of Tangshan Yandong Cement Kiln, opening a new chapter in the Group's hazardous solid waste treatment business. This project paved the foundation for a new industrial landscape characterized by the joint development of our water treatment and hazardous solid waste treatment business in addition to our flue gas treatment business. Leveraging on its solid experience and professional capabilities in R&D and design, construction and implementation, operation and management of environment pollution prevention and control, the Group has helped its clients to greatly reduce pollutant emissions and effectively improve their production efficiencies, making remarkable contributions to the improvement of air quality and environment quality, the development of green economy and sustainability.

1. INDUSTRY OVERVIEW

In the first half of 2020, the environmental protection industry has been affected to a certain extent under the impact of COVID-19. Enterprises faced an intensified market competition and the difficulty of operation was mounting, resulting in an austere overall situation. Nevertheless, with the resumption of production accelerated in light of the pandemic becoming controlled gradually and the continuous support of new policies, the rigid demand of the environmental industry will continuously be released. Therefore, the Directors believe that it would bring about new opportunities to the industry.

On 3 March 2020, the General Office of the Communist Party of China and the General Office of the State Council jointly issued the “Guiding Opinions on Building a Modern Environmental Governance System”, which covered nine major issues including, among others, the overall requirements and the demands for the improvement of leadership and corporate responsibility systems in environmental governance, and put forward 28 specific requirements. The guidance clearly stated that we must adhere to the principle of joint governance efforts by multiple parties, thus forming a favorable landscape for the whole society to jointly promote environmental governance. The guidance will speed up the modernization of the ecological environment governance system and governance capabilities, with a view to winning the battle against pollution, creating an ecological civilization and beautiful environment in China and providing strong support system.

On 29 April 2020, the 17th meeting of the Standing Committee of the 13th National People's Congress of China reviewed and passed the amended "Law on the Prevention and Control of Environment Pollution Caused by Solid Wastes", which will be implemented on 1 September 2020, outlining the principles of quantity reduction, resource utilization and harmlessness in relation to the prevention and treatment of solid waste pollutions. This policy improves the prevention and control system of industrial solid waste pollution, perfects the long-term mechanism for the prevention and control of environmental pollution by solid waste, and protects the ecological environment under the stringent system and the strictest rule of law. In addition, the policy brings up higher requirements for the hazardous solid waste treatment industry, thus creating a positive effect on the demand in related fields.

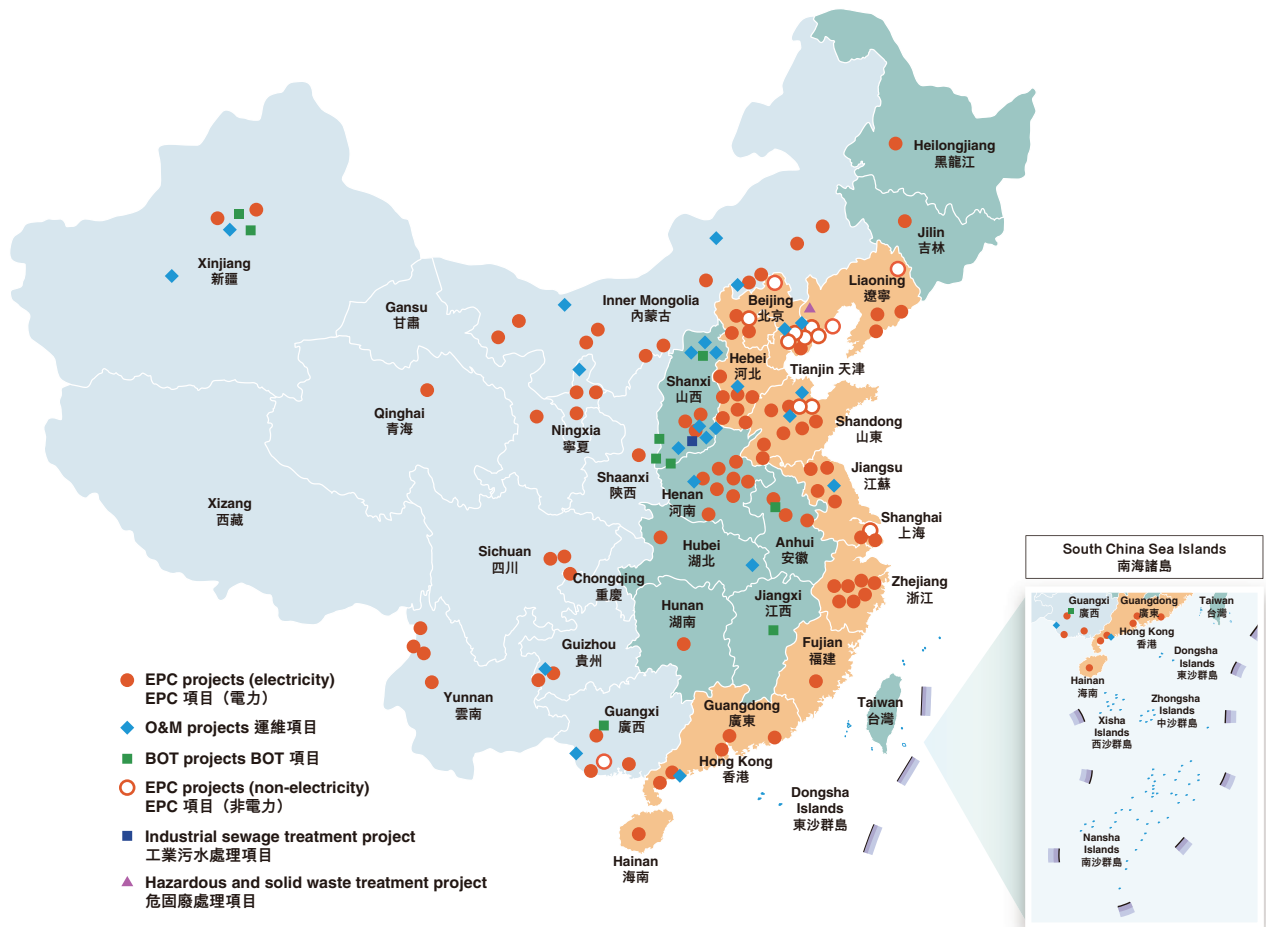
On 22 May 2020, the State Council of China issued the "Report on the Work of the Government" and established the following goals and arrangements in relation to environmental protection: (i) striving to defend the blue sky, clear water and pure land and achieving the phased goals of pollution prevention and control; (ii) improving the effectiveness of ecological environment governance, while emphasizing on pollution control according to law, science and precision; (iii) deepening the air pollution control works in key areas; (iv) strengthening the construction of sewage and garbage disposal facilities; (v) speeding up the relocation and transformation of hazardous chemicals production enterprises; (vi) further developing the energy conservation and environmental protection industry; and (vii) implementing major projects to protect and restore important ecosystems and promoting the construction of ecological civilization. These deployments will bring more business opportunities for companies engaging in the treatment of air, sewage, solid waste and soil.

2. BUSINESS REVIEW

The Group is committed to the development of the environmental protection industry, and provides comprehensive environmental governance services to our customers. Its business area mainly covers flue gas treatment, water treatment, hazardous and solid waste treatment/disposal, and environmental protection and energy saving business. During the Reporting Period, the Group continued to maintain the growth of its flue gas treatment business and effectively developed the water treatment and hazardous and solid waste treatment/disposal business, and achieved remarkable results.

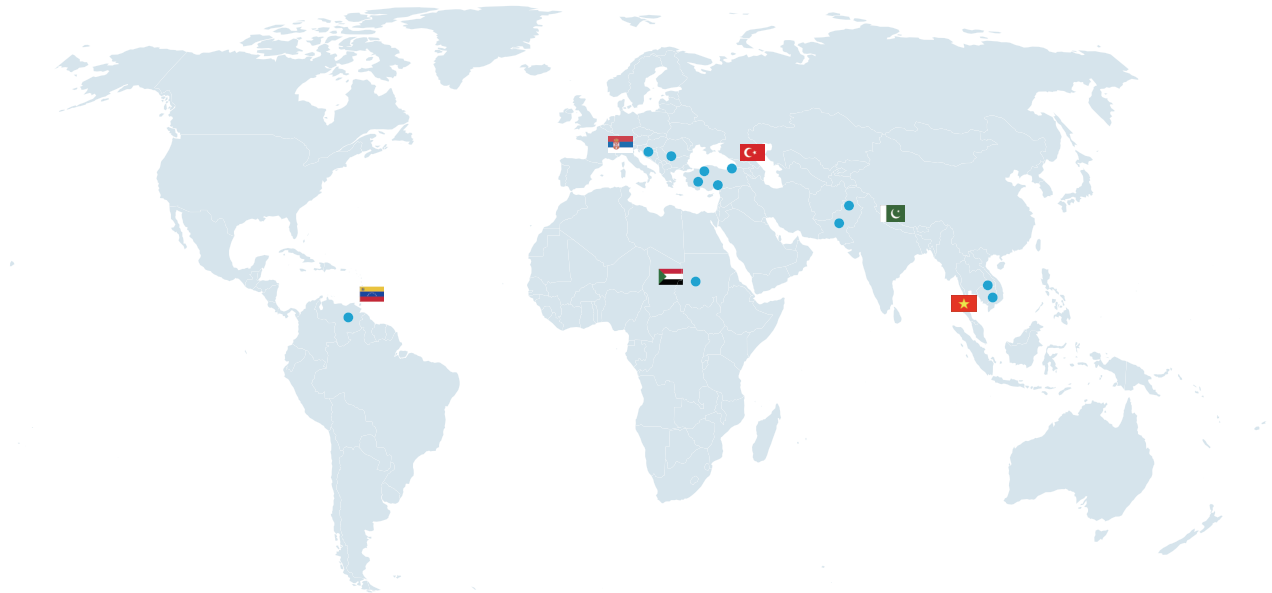
As of June 30, 2020, the Group's business has a broad geographic coverage, reaching nearly 30 provinces, municipalities and autonomous regions in China. Furthermore, the Group has been striving to expand its business overseas, including in Europe, South Asia, Latin America, Africa and Southeast Asia.

The following map shows the distribution of the projects of the Group within the PRC as of 30 June 2020:



As of 30 June 2020, the Group had also executed, or had been implementing, over ten flue gas treatment projects in regions outside the PRC, such as Europe, South Asia, Latin America, Africa and Southeast Asia. As of 30 June 2020, the Group’s overseas desulfurization units have accumulated a capacity of 5,710MW.

The following map shows the distribution of the projects of the Group outside the PRC as of 30 June 2020:



2.1 Flue Gas Treatment Business

As a comprehensive treatment service provider for the industrial environment, the Group also provides its flue gas treatment services through various business models including EPC, Q&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 SO₂ or NO_x emission control and dust removal primarily for power plants, aluminum factories, steel factories and chemical plants.

In recent years, the Group has gradually expanded the scope of EPC business from the traditional coal-fired power plant flue gas treatment industry to petrochemical, steel, gas, electrolytic aluminum and coking industries. For the six months ended 30 June 2020, the Group added three new EPC projects, with a total contract value amounting to approximately RMB232 million.

The following table sets forth the status of the EPC projects under construction as of 30 June 2020:

No.	Environmental protection facility engineering projects under construction	Type of project	Newly built/ upgraded	Date of contract (Month/Year)	Aggregate 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.	Shouyang Green Island Project	Green Island	Newly built	December 2015	288
3.	Phase II Desulfurization EP Project in Serbia	Desulfurization	Newly built	September 2016	90
4.	Nanyang Desulfurization Project	Desulfurization	Newly built	March 2017	168
5.	Chuanwei Denitrification, Desulfurization and Dust Removal Ultra Low Emissions Upgrade Project	Green Island	Upgraded	September 2018	206
6.	POWER CHINA Lucky 660MW Coal-fired Power Plant Desulfurization Equipment Procurement Project in Pakistan	Desulfurization	Newly built	April 2019	132
7.	4X600 t/d lime double-hearth kiln flue gas SCR denitrification project of Hebei Jinxi Africa Metal Mine Industry Co., Ltd.	Denitrification	Newly built	December 2019	27
8.	4X330MW Unit Flue Gas Desulfurization Transformation Project of Beihai Power Plant II Utilizing Magnesium and Calcium Adjustment Method	Desulfurization	Upgraded	January 2020	137
9.	215 Flat Sintering Machine Flue Gas Desulfurization and Denitrification Project of Chengde Jianlong	Desulfurization, denitrification and dust removal	Upgraded	April 2020	85
10.	2 million tons Aluminum Oxide Project of Guangxi Huasheng New Material Co., Ltd. 3500t/d Aluminum Hydroxide Gas Suspension Roaster Denitrification System General Contracting Project	Denitrification	Newly built	May 2020	10

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. Under the O&M projects, our customers are either charged (i) service fees for the O&M services based on the total amount of on-grid electricity generated during the service period, or (ii) a fixed 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 sustainable one, generating stable cash flow for the Group.

As of 30 June 2020, the Group had a total of 16 O&M projects under operation, covering industrial sectors such as thermal power, steel and coking, which have operated consistently with their emissions in compliance with required standards and shall provide a stable source of business growth of the Group.

The following table sets forth the installed capacities and status of the O&M projects of the Group under operation as of 30 June 2020:

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 2020	6×350MW
2.	Yangcheng #7-8 Unit Flue Gas Desulfurization O&M Project	Desulfurization	June 2018	August 2020	2×600MW
3.	Yangcheng #7-8 Unit Slag Removal O&M Project	Slag removal	June 2018	August 2020	2×600MW
4.	Qinzhou Desulfurization Q&M Project	Desulfurization	July 2015	June 2021	2×630MW+ 2×1,000MW
5.	Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	March 2016	December 2021	2×660MW
6.	Tianjin SDIC Jinneng Power Plant Desulfurization, WESP and Water Intake System Operation and Cleaning Project	Desulfurization	August 2016	December 2020	4×1,000MW
7.	Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	January 2017	December 2025	2×660MW +2×600MW
8.	Shouguang Auxiliary Ashing and Sulfurization Control System Entrusted Operation Project	Desulfurization	May 2018	May 2021	2×1,000WM
9.	Shanyin Phase II Environmental Protection O&M	Denitrification, desulfurization and slag removal	June 2018	May 2021	2×350MW
10.	Xilinhaote Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	December 2019	December 2020	2×660MW
11.	Jinxi Iron and Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	February 2022	265m ² sintering machines
12.	Jinxi Special Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	February 2022	2×210m ² +1×265m ² sintering machines
13.	Denitrification, Desulfurization and Dust Removal O&M Project on 350m ² Sintering Machines of Tianjin Iron Plant	Denitrification, desulfurization and dust removal	November 2019	November 2022	350m ² sintering machines

No.	Project name	Type of project	Starting date of service (Month/Year)	Expiring date of service contract (Month/Year)	Installed capacity
14.	Denitrification O&M Project on 360m ² Sintering Machines of Tianjin Iron Plant	Denitrification	December 2019	November 2022	360m ² sintering machines
15.	Flue Gas Denitrification, Desulfurization and Dust Removal O&M Project on 4×65 Hole 6.05m Stamp Charging Coke Oven of Shanxi Lubao Group's Jingang Zhaofeng Coal Chemical Company	Denitrification, desulfurization and dust removal	December 2019	November 2024	4×65 hole 6.05m stamp charging coke oven
16.	Flue Gas Denitrification, Desulfurization and Dust Removal O&M Project on 4×75 t/h Facilities of Shanxi Lubao Group's Shanxi Jintao Lubao Chemical Co., Ltd.	Denitrification, desulfurization and dust removal	December 2019	November 2024	4×75 t/h

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. The fees that the Group receives for the provision of concession services under concession agreements 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 2020, 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 2020, the Group had nine concession operation projects in progress, 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 at 30 June 2020:

No.	Project name	Installed capacity	Type of project	Newly built/ upgraded	Total investment <i>RMB million</i>	Date of signing contract <i>(Year/Month)</i>	Ending date of concession period <i>(Year/Month)</i>
1.	Jiangxi Jinggangshan BOT Project	2×300MW +2×660M	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
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 Shenhua 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 BOO Project	2×300MW	Green Island	Upgraded	281	December 2018	End of 2033

2.2 Water Treatment Business

As of 30 June 2020, the Sewage Treatment Center of Shanxi Lubao Industrial Park in China (“**Lubao Sewage Treatment Center**”) has been operating smoothly, contributing higher income to the results of the Group. The industrial sewage treatment business is one of the new directions for the Group’s future development. The Group regards Lubao Sewage Treatment Center as a demonstration project for such industry, and has swiftly trained a team of technology and operating professionals in industrial sewage treatment, thus further enhancing the Group’s comprehensive market competitiveness.

2.3 Hazardous and Solid Waste Treatment/Disposal Business

In the first half of 2020, the Group intended to invest in the construction of the Cooperative Hazardous and Solid Waste Disposal Project of Tangshan Yandong Cement Kiln, which is another breakthrough of the Group in the environmental governance industry following flue gas treatment and water treatment and will become a new driving force for the Group’s performance. The Group will seize this opportunity to further expand its hazardous and solid waste treatment and disposal business and develop into a comprehensive enterprise providing all-round intelligent environmental protection services.

3. FINANCIAL POSITION AND OPERATING RESULTS

In the first half of 2020, the sudden outbreak of COVID-19 brought a severe test to the world's economic and social development. The austere economic situation has led to intensified market competition and brought greater uncertainty to the survival and development of enterprises. During this special historical period of healthy survival and sustainable development, we still attained certain achievements in the Company's production and operation for the first half of the year through joint efforts to improve management and pursue efficiency. Net profit and receivables recovered have increased over the same period last year, and the structure of assets remained sound.

Revenue

For the six months ended 30 June 2020, the Group's total revenue decreased by 12.6% to RMB658 million as compared with RMB753 million for the first half of 2019, mainly due to the delay of construction of certain EPC projects of the flue gas treatment business under the impact of COVID-19.

As of 30 June 2020, the Group generated revenues primarily from two business segments: (i) flue gas treatment business; and (ii) water treatment business. The following table sets forth a breakdown of the revenue of the Group by segment for the periods stated:

	Segment revenue	
	For the six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Flue Gas Treatment Business		
EPC	146,391	268,347
O&M	186,860	150,943
Concession Operation	269,144	322,124
Of which: Construction	19,884	87,190
Operation	249,260	234,934
Others	10,696	11,102
	<hr/>	<hr/>
Water Treatment Business	45,100	—
	<hr/>	<hr/>
Total	658,191	752,516
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For the six months ended 30 June 2020, the revenue generated from the Group's flue gas treatment business was as follows:

Revenue from EPC was RMB146 million, representing a decrease of 45.5% as compared with RMB268 million for the first half of 2019, mainly due to the delay of the construction of certain projects under the impact of COVID-19;

Revenue from O&M amounted to RMB187 million, representing an increase of 23.8% as compared with RMB151 million for the first half of 2019, mainly attributable to the increase in revenue arising from newly commissioned projects in the steel sector during the Reporting Period;

Revenue from concession operation decreased by 16.5% to RMB269 million from RMB322 million for the first half of 2019, mainly due to the decrease in construction income of concession operation projects after the Group's certain concession operation projects completed transformation and successfully put into operation during the Reporting Period.

For the six months ended 30 June 2020, the revenue of the water treatment business segment, which has become the Group's new performance driver in the Reporting Period, amounted to RMB45 million.

Cost of Sales and Services

For the six months ended 30 June 2020, the Group's cost of sales and services was RMB491 million, representing a decrease of 22.1% as compared with RMB630 million for the first half of 2019, mainly attributable to the delay of the construction of certain EPC projects of the flue gas treatment business due to the impact of COVID-19 and the decrease in the cost of concession operation projects.

For the six months ended 30 June 2020, the cost of sales and services of the Group's flue gas treatment business was as follows:

The cost of sales and services for EPC amounted to RMB137 million, representing a decrease of 46.5% as compared with RMB256 million for the first half of 2019, mainly attributable to the delay of the construction of certain projects under the impact of COVID-19.

The cost of sales and services for O&M amounted to RMB139 million, representing an increase of 13.0% as compared with RMB123 million for the first half of 2019, mainly attributable to the increase in the cost arising from newly commissioned projects during the Reporting Period.

The cost of sales and services for concession operation was RMB193 million, representing a decrease of 22.8% as compared with RMB250 million for the first half of 2019, mainly attributable to the decrease in the cost of construction and the increase in the cost of operation of concession operation projects during the Reporting Period.

For the six months ended 30 June 2020, the cost of sales and services for the water treatment business amounted to RMB22 million.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2020, the gross profit of the Group was RMB167 million, representing an increase of 36.9% as compared with RMB122 million for the first half of 2019; gross profit margin was 25.4%, representing an increase of 9.2 percentage points as compared with the first half of 2019, mainly attributable to the commencement of operation of the newly added O&M projects and concession operation projects which had higher gross profit contribution.

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 2020		For the six months ended 30 June 2019	
	<i>RMB'000</i>	Gross Profit Margin %	<i>RMB'000</i>	Gross Profit Margin %
Flue Gas Treatment Business				
EPC	9,579	6.5	12,293	4.6
O&M	47,345	25.3	28,274	18.7
Concession operation	76,336	28.4	71,959	22.3
Of which: Construction	436	2.0	2,362	3.0
Operation	75,900	30.5	69,597	29.6
Others	10,696	100	9,738	87.7
Water Treatment Business	22,983	51.0	–	–
Total	166,939	25.4	122,264	16.2

For the six months ended 30 June 2020, the gross profit of the Group's flue gas treatment business segment was as follows:

The gross profit of EPC amounted to RMB10 million, representing a decrease of 16.7% as compared with RMB12 million for the first half of 2019, mainly due to the delay of the construction of certain projects under the impact of COVID-19.

The gross profit of O&M was RMB47 million, representing an increase of 67.9% as compared with RMB28 million for the first half of 2019, mainly attributable to the increase of the Group's new projects and the strengthening of the cost control of projects.

The gross profit of concession operation increased by 5.6% to RMB76 million as compared with RMB72 million for the first half of 2019, mainly attributable to the commencement of operation of the Group's certain concession operation projects upon completion of transformation which had higher gross profit contribution.

The gross profit of the Group's water treatment business segment amounted to RMB23 million.

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 2020.

OUTLOOK ON THE GROUP'S FUTURE DEVELOPMENT

2020 is the final year of the 13th Five-Year Plan for the National Economic and Social Development of the PRC, during which environmental protection policies have been continuously strengthened. Since the beginning of this year, the environmental protection industry has shown an accelerated recovery trend and the development momentum is expected to further pick up. In addition, under the impact of COVID-19, the environmental health industry has made substantial contributions to the fighting against the pandemic, thereby accelerating the process of medical waste and solid waste treatment and disposal and expanding the market for environmental protection.

In the future, the Group will continue to aim at creating a comprehensive environmental protection platform enterprise by actively adjusting its business structure, optimizing resource allocation and continuously expanding market share. The Group will focus on the development of multiple business areas such as flue gas treatment, water treatment, hazardous and solid waste treatment/disposal, energy saving and environmental protection, and gradually develop into a world-class group in the environmental protection industry. Looking ahead, the Group will carry out the following key tasks:

(1) Maintain the stable development of the Group's main business and continue to expand the non-electrical field of atmospheric governance business

The Group will continue to promote “smart operation and maintenance” in the field of traditional thermal power flue gas management, provide “full-process services” and enhance the “Boqi Operation and Maintenance” industry brand. In the face of the current power flue gas desulfurization and denitrification entering the in-depth treatment stage, the Group will seize the policy opportunities, market-oriented, use its own technology and rich project experience, and strive to cultivate the non-electric field, and the Group's “EPC + O&M” one-stop service is fully integrated with the actual needs of customers in the steel industry to continue to consolidate the foundation of the Group's sustainable operation and development.

(2) Further layout in the field of industrial sewage treatment

In recent years, the PRC has increasingly emphasized on the treatment of industrial sewage. In the future, the country will step up its effort on the treatment of industrial sewage, resulting in a bright development prospect for the industry. The Group has actively responded to the ecological and environmental protection policies issued by national, ministerial and local authorities. Leveraging on the opportunity to improve water discharge standards, the Group has pursued its strategic goals and actively integrated its internal resources. In the future, the Group will continue to leverage on the industrial technology and project experience of Lubao Sewage Treatment Center to further enhance technology reserves, continue to improve the professional level of its high-quality professional team and further develop its industrial sewage treatment business.

(3) Continue to deepen the business of hazardous and solid waste treatment/disposal business

As the PRC government has attached great importance to the environmental protection industry and the environmental protection awareness among the public has been growing, coupled with the fact that the outbreak of COVID-19 has intensified the problem of the insufficiency of the capacity of treatment facilities to cope with the production of hazardous and solid waste and medical waste, the hazardous and solid waste treatment industry has gradually entered a rapid development phase and has a promising prospect of industrial development. After the implementation of the newly enacted “Solid Waste Environmental Pollution Prevention and Control Law” on 1 September 2020, the demand for the solid waste industry chain will continue to be released. By seizing tightly the market opportunities, the Group will combine its actual needs and strategic positioning to continuously deepen the Beijing-Tianjin-Tangshan regional market and expand its business in the new market sectors.

(4) Actively explore the energy saving and environmental protection market

With the rapid development of China’s industrial economy, energy consumption has been huge and growing. In recent years, the country has continuously advocated the concept of developing a green economy, and has successively introduced energy-saving and emission-reduction policies to encourage waste heat recycle and utilization in the industrial sector. The integrated energy utilization method represented by waste heat power generation can greatly improve energy utilization efficiency. The future prospects are expected to be promising with huge potential. The Group will actively explore the waste heat power generation and energy saving markets, and develop business in this field through various means such as investment, mergers and acquisitions by leveraging its advantage in the capital market, so as to establish its new business segment.

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 2020 (2019: Nil).

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

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 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 relevant 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 2020.

REVIEW OF INTERIM REPORT

The Audit Committee has reviewed the unaudited interim report of the Group for the six months ended 30 June 2020 (the “**2020 Interim Report**”). The Audit Committee has not expressed any dissent concerning the 2020 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 2020 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 2020

As at the date of this announcement, the Board comprises Mr. Cheng Liquan Richard and Mr. Zeng Zhijun as executive Directors; Mr. Zheng Tony Tuo, 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