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 2022

FINANCIAL AND OPERATION HIGHLIGHTS

For the six months ended 30 June 2022, the revenue of the Group amounted to RMB721 million, representing a decrease of 22.2% as compared to the same period last year.

For the six months ended 30 June 2022, the gross profit of the Group amounted to RMB143 million, representing a decrease of 22.3% as compared to the same period last year; the gross profit margin of the Group was 19.8%, remaining the same as the same period last year.

For the six months ended 30 June 2022, excluding loss on fair value changes in financial asset at fair value through profit or loss ("**FVTPL**") and investment income, the Group's net profit was RMB73 million with a net profit margin of 10.1%, representing a decrease of 42.1% and 3.5 percentage points respectively as compared to the same period last year.

For the six months ended 30 June 2022, the net profit of the Group amounted to RMB3 million with a net profit margin of 0.4%.

The board (the "**Board**") of directors (the "**Directors**") of China Boqi Environmental (Holding) Co., Ltd. (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2022 (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 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	For the six months ended 30 June	
		2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**721,070**	926,854
Cost of sales and services		**(577,848)**	(742,549)
Gross profit		**143,222**	184,305
Other income and gains	*4*	**15,217**	49,603
Other expenses and losses	*4*	**(72,471)**	(3,847)
Selling and distribution expenses		**(7,438)**	(8,948)
Administrative expenses		**(48,230)**	(34,504)
Research and development expenses		**(16,966)**	(23,370)
Impairment losses on financial assets and contract assets		**(6,856)**	3,981
Share of profit of associates		**12,052**	23,939
Finance costs	*5*	**(9,190)**	(4,712)
Profit before tax		**9,340**	186,447
Income tax expense	*6*	**(6,295)**	(23,605)
Profit for the period		**3,045**	162,842
Total comprehensive income for the period		**3,045**	162,842
Profit for the period attributable to:			
Owners of the parent		**3,533**	162,846
Non-controlling interests		**(488)**	(4)
		3,045	162,842
Total comprehensive income for the period attributable to:			
Owners of the parent		**3,533**	162,846
Non-controlling interests		**(488)**	(4)
		3,045	162,842
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic (RMB)		**0.00**	0.16
– Diluted (RMB)		**0.00**	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2022

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**625,034**	590,267
Investment properties		**9,949**	10,271
Goodwill		**147,957**	147,957
Other Intangible assets		**646,707**	650,714
Receivables under service concession arrangement	*10*	**304,747**	316,691
Investment in associates		**61,552**	80,101
Long term receivable		**47,548**	45,548
Contract assets	*11*	**202,690**	202,027
Amounts due from related parties	*16*	**136,213**	138,852
Deferred tax assets		**31,233**	33,158
Other non-current assets		**99,358**	98,606
Total non-current assets		**2,312,988**	2,314,192
Current assets			
Receivables under service concession arrangement	*10*	**24,466**	24,865
Debt instruments at fair value through other comprehensive income		**175,020**	284,168
Inventories		**37,257**	29,549
Equity instrument at FVTPL		**22,925**	178,771
Contract assets	*11*	**227,818**	240,308
Trade receivables	*12*	**881,445**	885,420
Prepayments, deposits and other receivables		**192,197**	157,426
Amounts due from related parties	*16*	**192,053**	177,547
Pledged time deposits and bank balances		**80,293**	142,009
Cash and cash equivalents		**324,727**	342,958
		2,158,201	2,463,021

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Current liabilities			
Trade and notes payables	*13*	**898,541**	1,136,336
Other payables, deposits received and accrued expenses		**297,595**	392,200
Contract liabilities	*11*	**129,556**	116,197
Income tax payable		**30,201**	26,222
Borrowings		**76,839**	82,566
Lease liabilities		**3,466**	3,264
Amounts due to related parties	*16*	**11,049**	15,701
		1,447,247	1,772,486
Net current assets		**710,954**	690,535
Total assets less current liabilities		**3,023,942**	3,004,727
Non-current liabilities			
Bank loans and other borrowings		**90,178**	83,399
Lease liabilities		**34,149**	35,020
Deferred tax liabilities		**28,383**	28,942
Contingent consideration		**10,060**	10,060
Long-term payable		**103,053**	99,420
		265,823	256,841
Net assets		**2,758,119**	2,747,886
Equity			
Share capital	*14*	**67**	67
Treasury shares		**(1)**	(1)
Reserves		**2,749,266**	2,741,045
Equity attributable to owners of the parent		**2,749,332**	2,741,111
Non-controlling interests		**8,787**	6,775
		2,758,119	2,747,886

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Attributable to owners of the parent										
	Share capital *RMB'000*	Treasury shares *RMB'000*	Merger reserve *RMB'000*	Other reserve *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(note (i))*	Retained profits *RMB'000*	Investment revaluation reserve *RMB'000*	Sub-total *RMB'000*	Non-controlling Interests *RMB'000* *(note (ii))*	Total equity *RMB'000*
As at 1 January 2022 (audited)	67	(1)	371,500	(128,167)	864,600	291,273	1,341,839	–	2,741,111	6,775	2,747,886
Profit for the period	–	–	–	–	–	–	3,533	–	3,533	(488)	3,045
Total comprehensive income for the period	–	–	–	–	–	–	3,533	–	3,533	(488)	3,045
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	–	–
Repurchase of ordinary shares	–	–	–	–	(60)	–	–	–	(60)	–	(60)
Cancellation of treasury shares	–	–	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	–	–	4,748	–	–	–	4,748	–	4,748
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	2,500	2,500
	–	–	–	–	–	–	–	–	–	–	–
As at 30 June 2022 (unaudited)	67	(1)	371,500	(128,167)	869,288	291,273	1,345,372	–	2,749,332	8,787	2,758,119

	Attributable to owners of the parent										
	Share capital *RMB'000*	Treasury shares *RMB'000*	Merger reserve *RMB'000*	Other reserve *RMB'000*	Share premium reserve *RMB'000*	Statutory surplus reserve *RMB'000* *(note (i))*	Retained profits *RMB'000*	Investment revaluation reserve *RMB'000*	Sub-total *RMB'000*	Non-controlling Interests *RMB'000* *(note (ii))*	Total equity *RMB'000*
As at 1 January 2021 (audited)	67	(1)	371,500	(128,167)	861,562	266,170	1,080,776	–	2,451,907	(1,089)	2,450,818
Profit for the period	–	–	–	–	–	–	162,846	–	162,846	(4)	162,842
Total comprehensive income for the period	–	–	–	–	–	–	162,846	–	162,846	(4)	162,842
Dividends recognised as distribution	–	–	–	–	–	–	(62,073)	–	(62,073)	–	(62,073)
Repurchase of ordinary shares	–	–	–	–	–	–	–	–	–	–	–
Cancellation of treasury shares	–	–	–	–	–	–	–	–	–	–	–
Share-based payment	–	–	–	–	371	–	–	–	371	–	371
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	–	3,500	3,500
	–	–	–	–	–	–	–	–	–	–	–
As at 30 June 2021 (unaudited)	67	(1)	371,500	(128,167)	861,933	266,170	1,181,549	–	2,553,051	2,407	2,555,458

Notes:

(i) In accordance with the Articles of Association of all subsidiaries established in the People's Republic of China (the "**PRC**" or "**China**"), 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 material non-controlling interests during the Reporting Period, and hence disclosure of material non-controlling interests is not made.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	**(72,723)**	(90,385)
Cash flows from investing activities		
Placement of pledged bank deposits	**(80,292)**	(96,300)
Withdrawal of pledged bank deposits	**142,010**	92,904
Interest received	**1,316**	2,327
Purchase of property, plant and equipment	**(7,583)**	(742)
Proceeds from disposal of property, plant and equipment	**3**	7
Purchase of intangible assets and costs capitalised under service concession arrangements	**(17,320)**	(38,991)
Investment in an associate	**–**	–
Investment in equity instrument at FVTPL	**–**	–
Advance to related parties	**(2,300)**	–
Repayment from related parties	**1,005**	–
Disposal of financial assets at FVTPL	**89,719**	–
Acquisition of a subsidiary – Qinghai Boqi Ecological Environment Technology Co., Ltd. ("**Qinghai Boqi**")	**(71,990)**	–
Prepayment for acquisition of a subsidiary	**(1,527)**	–
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	**53,041**	(40,795)
Cash flows from financing activities		
Repayment of lease liabilities	**(1,877)**	(1,888)
Repayment of bank borrowings	**(17,638)**	(8,220)
New bank borrowings raised and proceeds from other borrowings	**18,690**	–
Interest paid	**(2,719)**	(2,129)
Proceeds from discounted notes receivables from banks	**–**	–
Proceeds from share issue	**–**	–
Repurchase of ordinary shares	**(60)**	–
Capital contributions from a non-controlling shareholder	**2,500**	3,500
NET CASH USED IN FINANCING ACTIVITIES	**(1,104)**	(8,737)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,786)**	(139,917)
Effects of exchange rate changes	**2,555**	(1,018)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**342,958**	519,128
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**324,727**	378,193

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. PRINCIPAL ACCOUNTING POLICIES

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 IASB for the first time in the current year:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19 pandemic-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

Except for the application of the revised IFRSs for the first time in the current year as described above, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are consistent with those presented in the Group's annual financial statements for the year ended 31 December 2021.

3. REVENUE AND SEGMENT INFORMATION

Revenue is mainly generated from four business segments, namely flue gas treatment business, water treatment business, hazardous and solid waste treatment/disposal business and dual-carbon energy saving business. Revenue is recognized after deducting sales-related taxes.

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 desulfurization 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	
Water Treatment Business	mainly involved in the sewage treatment for industrial parks in coal chemical, coking and steel sectors
Hazardous and Solid Waste Treatment/Disposal Business	mainly involved in the harmlessness, quantity reduction and resource utilization of bulk solid waste and industrial hazardous waste
Dual-Carbon Energy Saving Business	mainly involved in project engineering and design, procurement of equipment and materials, project construction, equipment installation and commissioning services

Disaggregation of revenue

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	**707,299**	896,598
A point in time	**13,771**	30,256
	721,070	926,854
Types of goods and services		
Provision of services	**707,299**	896,598
Sales of goods	**13,771**	30,256
	721,070	926,854
Nature of goods and services		
Flue gas treatment business		
EPC	**196,152**	284,404
O&M	**157,805**	186,933
Concession operation	**248,679**	269,022
Others	**13,771**	30,256
Water treatment business	**90,115**	42,571
Hazardous and solid waste treatment/disposal business	**4,625**	626
Dual-carbon energy saving business	**9,923**	113,042
	721,070	926,854

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 For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Flue gas treatment business				
EPC	**196,152**	284,404	**12,410**	20,432
O&M	**157,805**	186,933	**28,153**	37,138
Concession operation	**248,679**	269,022	**58,336**	73,986
Others	**13,771**	30,256	**13,771**	30,256
Water treatment business	**90,115**	42,571	**30,933**	19,466
Hazardous and solid waste treatment/ disposal business	**4,625**	626	**(2,380)**	74
Dual-carbon energy saving business	**9,923**	113,042	**1,999**	2,953
Total	**721,070**	926,854	**143,222**	184,305
Unallocated other income and other gains and other expenses and losses			**(57,254)**	45,756
Unallocated selling and distribution expenses			**(7,438)**	(8,948)
Unallocated administrative expenses			**(48,230)**	(34,504)
Unallocated research and development expenses			**(16,966)**	(23,370)
Unallocated impairment losses on financial assets and contract assets			**(6,856)**	3,981
Unallocated share of profit of associates			**12,052**	23,939
Unallocated finance costs			**(9,190)**	(4,712)
Profit before tax			**9,340**	186,447

Segment revenue reported above represents revenue generated from external customers. There were no intersegment sales for the six months ended 30 June 2022 (2021: Nil).

Segment profit represents the gross profit of each segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

No segment assets and liabilities are presented as the chief operating decision maker 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	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
	Business segment		
Customer A	Concession operation and O&M	**84,087**	*

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

4. OTHER INCOME AND GAINS AND OTHER EXPENSES AND LOSSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**6,394**	7,463
Government grants	**1,165**	3,416
Rental income, net	**(85)**	(160)
Fair value (losses)/gain on financial assets at FVTPL	**(9,074)**	34,509
Foreign exchange gain/(losses)	**5,381**	(2,453)
Losses on disposal of financial assets at FVTPL	**(61,361)**	–
Others	**326**	2,981
	(57,254)	45,756

5. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**8,055**	3,255
Interest on lease liabilities	**887**	1,154
Discounted bills payable	**248**	303
	9,190	4,712

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC enterprise income tax ("**EIT**")	**4,929**	16,397
Deferred tax	**1,366**	7,208
Total	**6,295**	23,605

The Company and CBEE Holdings Co., Ltd. ("**CBEE**"), the Company's subsidiary, were incorporated in the Cayman Islands and the British Virgin Islands (the "**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**") 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 2023.

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 designated 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 2024.

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 which entitled Jinggangshan Boqi 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 September 2022.

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 desulfurization 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 wastewater 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 desulfurization 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 desulfurization 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 2020, 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 the desulfurisation program was fully exempted from income tax for three years starting from 2020, and thereafter will be entitled to a three-year preferential rate of 12.5%.

Qinghai Boqi obtained the approval, whereby the industrial solid waste utilisation and disposal project and hazardous waste utilisation and disposal project in Qinghai Boqi were entitled a full exemption of income tax for three years starting from 2018, and preferential rate of 12.5% for three years thereafter.

The applicable tax rate of other PRC subsidiaries of the Company was 25% for the six months ended 30 June 2022 (2021: 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 PERIOD

	For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration)		
Salaries and other benefits	**110,013**	95,592
Contributions to retirement benefits scheme	**9,657**	8,689
Share-based payment expenses	**4,748**	371
Total staff costs	**124,418**	104,652
Gross rental income from investment properties	**(298)**	(198)
Less: Direct operating expense (including depreciation) incurred for investment properties that generated rental income during the periods (included in other income and gains and other expenses and losses)	**383**	358
	85	160
Cost of inventories recognised as expenses (included in cost of sales and services)	**208,128**	323,330
Depreciation of property, plant and equipment	**25,011**	10,465
Depreciation of investment properties	**322**	317
Amortisation of intangible assets	**33,254**	29,371
Research and development expenses	**16,966**	23,370
Auditor's remuneration	**1,521**	964

8. DIVIDENDS

During the Reporting Period, a final dividend of HK$0.074 per share in respect of the year ended 31 December 2021 (2021: HK$0.0074 per share in respect of the year ended 31 December 2020) was declared, which was still unpaid by the end of the Reporting Period. The Directors have determined that no dividend will be declared and paid in respect of the interim period of 2022.

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	
	2022	2021
	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 parent) – basic and diluted	**3,533**	162,846
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**996,690,125**	993,228,799
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,000,672,632**	997,087,292

10. RECEIVABLES UNDER SERVICE CONCESSION ARRANGEMENT

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion	**24,466**	24,865
Non-current portion	**304,747**	316,691
	329,213	341,556
Expected collection schedule is analysed as follows:		
Within one year	**24,466**	24,865
More than one year, but not more than two years	**24,841**	24,079
More than two years but not more than five years	**84,425**	81,839
More than five years	**195,481**	210,773
	329,213	341,556

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 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Construction contracts analysed for reporting purposes as follows:		
Contract assets	**430,508**	442,335
Contract liabilities	**(129,556)**	(116,197)
Contract assets are analysed for reporting purposes as follows:		
Current	**227,818**	240,308
Non-current	**202,690**	202,027
	430,508	442,335
Contract liabilities are analysed for reporting purposes as follows:		
Current	**129,556**	116,197
	129,556	116,197

12. TRADE RECEIVABLES

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**923,007**	921,266
Less: Allowance for doubtful debts	**(41,562)**	(35,846)
	881,445	885,420

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 commercial 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 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
1-90 days	**330,412**	497,717
91-180 days	**101,581**	107,758
181-365 days	**253,756**	140,689
1-2 years	**159,184**	96,172
2-3 years	**35,637**	23,470
Over 3 years	**875**	19,614
	881,445	885,420

13. TRADE AND NOTES PAYABLES

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Trade payables	**696,388**	832,474
Notes payables	**202,153**	303,862
Total	**898,541**	1,136,336

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

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Less than 90 days	**424,528**	466,320
90-180 days	**52,661**	277,646
180 days-1 year	**192,491**	113,611
1-2 years	**87,709**	107,132
2-3 years	**49,154**	71,447
Over 3 years	**91,998**	100,180
Total	**898,541**	1,136,336

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 2021 and 30 June 2022 (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 share** *US$*	**Share capital of ordinary shares and Class A ordinary shares** *US$*
As at 31 December 2021 (Audited)	1,005,776,799	–	–	–	1,005,776,799	0.00001	10,058
Repurchased and cancelled	(56,000)	–	–	–	(56,000)	0.00001	(1)
As at 30 June 2022 (Unaudited) Issued	**1,005,720,799**	**–**	**–**	**–**	**1,005,720,799**	**0.00001**	**10,057**

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Presented as	**67**	67

15. SHARE OPTION SCHEME

(a) Share Option Scheme

No option was granted by the Company from 1 January 2022 to 30 June 2022.

The Company adopted a share option scheme (the "**Scheme 2020**") on 29 December 2020, i.e. the date on which the Scheme 2020 was adopted by resolution of the Shareholders at general meeting (the "**Adoption Date**"). The purpose of the Scheme 2020 is to enable the Group to grant options to the eligible participants as incentives or rewards for their contribution to the Group. The Scheme 2020 shall be valid and effective for a period of ten years from the Adoption Date.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than ten years from the relevant date of grant. The board may also provide restrictions on the exercise of an option during the period an option may be exercised.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The exercise prices and exercise periods of the share options outstanding as at the end of the Reporting Period are as follows:

Date of grant	Number of options outstanding as at 30 June 2022 (Unaudited)	Exercise price HK$ per share	Exercise period
7 April 2021	3,120,000	1.51	7 April 2022 to 6 April 2031
28 June 2021	10,350,000	1.88	28 June 2022 to 27 June 2031
	13,470,000		

The fair value of equity-settled share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	7 April 2021	28 June 2021
Dividend yield (%)	4.32	4.21
Expected volatility (%)	61.62	61.57
Historical volatility (%)	61.62	61.57
Risk-free interest rate (%)	1.38	1.37
Expected life of options (year)	10.00	10.00
Spot price (HK$ per share)	1.51	1.88
Exercise price (HK$ per share)	1.51	1.88

Movement of the share options

	1 January 2022 to 30 June 2022 (Unaudited)	1 January 2021 to 30 June 2021 (Unaudited)
At the beginning of the period	**14,220,000**	–
Granted during the period	**–**	21,120,000
Lapsed during the period	**(750,000)**	–
At the end of the period	**13,470,000**	21,120,000

During the six months ended 30 June 2022, 750,000 options lapsed due to the unfulfillment of vesting condition under the Scheme 2020. The group recognized a share-based payment expense of RMB2,496,000 (2021: RMB175,000) in the unaudited interim consolidated statement of profit or loss during the six months ended 30 June 2022.

(b) Award Share Scheme

The Company adopted the Pre-IPO Share Award Scheme ("**Scheme 2016**") pursuant to a resolution passed by the Directors on 15 April 2016, through which a total of 25,000,000 shares ("**Awarded Shares**") at a par value of US$0.00001 each were issued to Acheson (the "**Trust**") on 11 May 2016, who will hold the Awarded Shares for the benefit of the eligible employees ("**Selected Employees**") and facilitate the purchase, holding and/or vesting of such Awarded Shares as a trustee pursuant to the trust deed ("**Trust Deed**") signed by the Company. The Trust was established pursuant to the Trust Deed dated 2 September 2016 with retrospective effect from 10 May 2016.

A management committee has been established and authorised by the Directors to make all determination and provide directions to the Trustee in relation to the Scheme. The Pre-IPO Share Award Scheme is valid and effective for a period of ten years from the date of adoption.

Pursuant to the Scheme, the Selected Employees are entitled to subscribe for the Awarded Shares at the price of RMB0.85 per Awarded Share by way of a loan provided by the Company. On 7 September 2016, the Company granted 23,170,000 Awarded Shares to the Selected Employees. The details of the Awarded Shares granted for the year ended 31 December 2016 are as follows:

Number of Awarded Shares granted	Date of grant	Expiry date	Purchase price *RMB*
23,170,000	7 September 2016	7 September 2026	0.85

The Group has determined the fair value of the Awarded Shares based on the binominal option-pricing model as of the grant date. The valuation model requires the input of highly subjective assumptions, including the entity risk premium and the discount rate due to lack of control, and changes in the subjective input assumptions can materially affect the fair value estimate of the Awarded Shares.

	7 September 2016
Weighted average grant date fair value per share	RMB1.94
Weighted average exercise price	RMB0.85
Detailed forecast period 5 years	5 years
Weighted average cost of capital	16.83%
Leveraged beta	1.04
Entity risk premium	0.5%
Discount rate due to lack of control	10%

The Company adopted the Supplementary Scheme of the Pre-IPO Share Award Scheme ("**Supplementary Scheme**") pursuant to a resolution passed by the Directors on 28 August 2019, which authorises the chief executive officer to complete the selection of grantees, the allocation of shares and the signing of agreements and other related work to grant the shares withdrawn and had not been granted on 7 September 2016.

Pursuant to the Supplementary Scheme, the Selected Employees are entitled to subscribe for the Awarded Shares without a consideration. The Group did not grant any Awarded Shares under the Supplementary Scheme during the Reporting Period. On 24 February 2021 and 31 March 2021, the Company granted 3,100,000 and 1,040,000 Awarded Shares to the Selected Employees, respectively. The details of the Awarded Shares granted for the six months ended 30 June 2021 are as follows:

Number of Awarded Shares granted	Date of grant	Expiry date	Purchase price
3,100,000	24 February 2021	28 August 2029	–
1,040,000	31 March 2021	28 August 2029	–

The Group has determined the fair value of the Awarded Shares based on the binominal option-pricing model as of the grant date, taking into account the terms and conditions upon which the options were granted. The following table lists the significant inputs to the model used:

	24 February 2021	31 March 2021
Dividend yield (%)	4.32	4.32
Expected volatility (%)	61.92	61.68
Historical volatility (%)	61.92	61.68
Risk-free interest rate (%)	1.10	1.30
Expected life of options (year)	10.00	10.00
Spot price (HK$ per share)	1.36	1.38

Movement of the Award Shares (Unaudited)

	1 January 2022 to 30 June 2022	1 January 2021 to 30 June 2021
At the beginning of the period	**7,537,000**	8,760,500
Granted during the period	**–**	4,140,000
Exercised during the period	**–**	(2,137,000)
Forfeited during the period	**(509,375)**	(50,000)
At the end of the period	**7,027,625**	10,713,500

The Group recognized a shared-based payment expense of Award Shares of RMB1,473,000 (2021: RMB196,000) and did not reverse any share-based payment expenses in the unaudited interim consolidated statement of profit or loss during the six months ended 30 June 2022 in relation to the Awarded Shares granted by the Company.

16. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Amounts due from related parties

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Yangxi Haibin Electric Power Development Co., Ltd. ("**Yangxi Electric**") *(Note (i))*	**272,939**	243,253
Jijiantou Shouyang Thermoelectric Co., Ltd ("**Shouyang Thermal Power**") *(Note (ii))*	**33,445**	39,544
Sinopec Shanghai Petrochemical Company Limited	**1,012**	1,764
Chongqing Chuanwei Petrochemical Engineering Company Limited of the Sinopec Group ("**Chongqing Chuanwei**")	**16,424**	28,212
Northwest Oilfield Branch of China Petroleum & Chemical Corporation ("**PetroChina Northwest Oilfield**")	**338**	–
Gao Neng Long Yuan Boqi Environmental Technology (Han Chuan) Co., Ltd. *(Note (iii))*	**1,227**	1,228
Hainan Boyuan Zhongying Enterprise Management Partnership (Limited Partnership)	**2,881**	–
Sinopec Ningbo Engineering Co., Ltd.	**–**	2,398
	328,266	316,399

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Analysed for reporting purpose as:		
Current assets	**192,053**	177,547
Non-current assets	**136,213**	138,852
	328,266	316,399
Trade balances	**184,192**	173,054
Non-trade balances	**144,074**	143,345
	328,266	316,399

(i) On 28 August 2017, the Group entered into a revised management service agreement with Guangdong Huaxia Electric Development Co., Ltd 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) Shouyang Thermal Power was 40% held by Mr. Zeng Zhijun and Mr. Cheng Liquan Richard, our Directors and substantial shareholders, through Beijing Boqi Environmental Technology Co., Ltd. ("**Beijing Boqi Environmental Protection**"), and was therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Prior to the Listing, the Company had applied to the Stock Exchange and the Stock Exchange had granted the Company, a waiver from strict compliance with the rules regarding the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In November 2020, Beijing Boqi Environmental Protection and Hebei Construction Investment Energy Co., Ltd. ("**Hebei Construction Investment**") entered into a share purchase agreement, whereby Beijing Boqi Environmental Protection agreed to sell 21% of the equity interest in Shouyang Thermal Power to Hebei Construction Investment. In January 2021, the registration of such amendment to administration bureau for industry and commerce was completed. As the equity interests held by Mr. Zeng Zhijun and Mr. Cheng Liquan Richard in Shouyang Thermal Power dropped from 40% to 19%, Shouyang Thermal Power ceases to be a connected person of the Company and the transactions contemplated thereunder the Shouyang EPC contract cease to be continuing connected transactions under Chapter 14A of the Listing Rules. According to the International Accounting Standard 24-Related Party Disclosure Requirements, Beijing Boqi Environmental Protection still holds 19% equity interests in Shouyang Thermal Power and has appointed a director to Shouyang Thermal Power. Therefore, from the financial point of view, Shouyang Thermal Power is still a related party of the Group, and the Shouyang EPC contract is still disclosed as a related party transaction. Shouyang Thermal Power was previously known as "Yangmei Group Shouyang Boqi Electric Co., Ltd (陽煤集團壽陽博奇發電有限責任公司)" and "Shanxi Shouyang Mingtai Guoneng Power Co., Ltd) (山西壽陽明泰國能發電有限公司)".

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

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 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
1-90 days	**29,790**	104,873
91-180 days	**64,335**	8,582
181-365 days	**89,055**	57,835
2-3 years		1,764
Over 3 years	**1,012**	–
	184,192	173,054

(b) Amounts due to related parties

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
China Boqi Environmental Engineering Co., Ltd.	**176**	176
Beijing Jiankun Nenghuan Technology Co., Ltd.	**4,025**	8,050
Sinopec Fifth Construction Co., Ltd. ("**Sinopec Fifth Construction**")	**6,848**	7,475
	11,049	15,701

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 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
1-90 days	**299**	12,606
90-180 days	**4,324**	–
181-365 days	**5,702**	1,445
1-2 years	**548**	1,474
2-3 years		176
Over 3 years	**176**	–
	11,049	15,701

(c) The transactions with related parties during the Reporting Period are listed out below:

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Yangxi Electric *(note (i))*		
– O&M service	**53,746**	74,148
– Interest income	**3,080**	3,080
– Water and electricity, labor, spare parts and miscellaneous items charged by Yangxi Electric	**20,465**	30,702
Chongqing Chuanwei		
– EPC service *(note (ii))*	**1,629**	
Shouyang Thermal Power		
– EPC service	**–**	16,443
PetroChina Northwest Oilfield		
– O&M service	**301**	–
Sinopec Fifth Construction		
– Purchase of equipment	**–**	–
– Purchase of construction service	**209**	–

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 RMB53,746,000 was recognised as revenue for the six months ended 30 June 2022 (2021: RMB74,148,000). The Group also purchases water and electricity, labor, space parts and miscellaneous items from Yangxi Electric to support the O&M service. During the Reporting Period, the Group purchased a total amount of RMB20,465,000 (2021: RMB30,702,000) of 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 revenue of RMB1,629,000 was recognised for the six months ended 30 June 2022 (2021: revenue of RMB nil).

17. COMMITMENT FOR CAPITAL EXPENDITURE

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Commitments for construction of infrastructure under concession operation (contracted but not provided for)	**158,313**	105,291

18. SUBSEQUENT EVENTS

There has been no significant events subsequent to the Reporting Period, which require adjustment or disclosure in accordance with IFRSs.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a green ecological governance enterprise that provides comprehensive services for flue gas treatment, water treatment, hazardous and solid waste treatment/disposal and dual-carbon energy saving to industrial enterprises and cities. We are customer-oriented, with the goal of achieving carbon neutrality and meeting customer needs as our mission. The Group has been striving to grasp the development trends of the national environmental protection industry with a vision of "letting everyone live under the blue sky and white clouds", and strives to develop into a world-class environmental industry group, making positive contributions to the environmental protection and the construction of ecological civilization in China and the world.

1. INDUSTRY OVERVIEW

During the first half of 2022, the pressure of COVID-19 pandemic prevention and control remained, and the external environment has become more complex and severe. China's economic development has been facing the multiple pressures of shrinking demand, supply shock and weakening expectations. As the structural, deep rooted and trend pressures on ecological and environmental protection have not been fundamentally alleviated, the pollution problems in key areas and industries are still prominent.

China has shifted to a stage of high-quality development, during which economic and social development are undergoing comprehensive transformations to become more environmentally friendly, and the quality of environment has attained an improvement from having quantitative changes to having qualitative changes, thus stimulating the demand for multi-layered and diverse ecological and environmental management. Under the new development trend, the introduction of a series of new policies on environmental protection industry policies will bring more opportunities and challenges to the environmental protection industry.

On 10 February 2022, eight authorities including the Ministry of Industry and Information Technology jointly issued the "Implementation Plan for Accelerating the Comprehensive Utilization of Industrial Resources". The plan proposes that by 2025, the intensity of industrial solid waste generated in key industries such as steel, non-ferrous metal and chemical industries should decline, the comprehensive utilization level of bulk industrial solid waste should be significantly improved, the renewable resources industry should continue to develop healthily, and the comprehensive utilization efficiency of industrial resources should be significantly enhanced. As a result, the industry of comprehensive utilization of hazardous and solid waste resources will be further standardized, thus promoting the development of resource-based enterprise clusters.

On 24 February 2022, the Ministry of Ecology and Environment issued the "Notice on Launching the Pilot Program of Hazardous Waste Collection in Small and Micro Enterprises" to strengthen the supervision of the entire process of hazardous waste collection, storage and transfer, and guide the construction of an integrated hazardous waste treatment mechanism. The gradual development of the pilot program is expected to further open up the demand space for the hazardous waste treatment and disposal industry.

On 24 March 2022, the Ministry of Ecology and Environment issued a notice on the issuance of the "14th Five-Year Plan for Ecological Protection Supervision", which specifies the key tasks of ecological protection supervision. By 2025, a relatively comprehensive system of ecological protection supervision and the system of rules and standards will be established, thus primarily building a national ecological monitoring, supervision and evaluation network. The main theme of the plan is to establish and improve the ecological protection supervision system, so as to enhance the coordination ability of ecological protection supervision and the basic support capability, as well as promote the modernization of the ecological protection supervision system and the supervision ability in an orderly manner, with a view to safeguarding the natural ecological security and continuously improving the quality and stability of the natural ecosystem, thus building a solid foundation for a beautiful China.

On 18 April 2022, Huang Runqiu, the Minister of the Ministry of Ecology and Environment, delivered a report by the State Council on the environmental status and the completion of environmental protection goals in 2021 at the 34th meeting of the Standing Committee of the 13th National People's Congress. The Party Central Committee and the State Council have attached great importance to the work of ecological and environmental protection. When attending important conferences and events and visiting various places, General Secretary Xi Jinping made a number of important speeches and gave crucial instructions on strengthening the construction of ecological civilization under the new situation, achieving "Carbon Peaking and Carbon Neutrality", stepping up efforts in the prevention and control of pollution, protecting biodiversity and responding to climate change, thus bringing forth fundamental guidelines for further ecological and environmental protection work. Besides, Premier Li Keqiang emphasized that it is necessary to deeply implement the sustainable development strategy and consolidate the achievements of Blue Sky, Clean Water and Rich Soil Protection Campaign, so as to promote the green transformation of production and lifestyle.

On 17 June 2022, seven authorities including the Ministry of Ecology and Environment issued the "Implementation Plan for Enhancing Synergistic Effects of Pollution Abatement and Carbon Reduction". The plan calls for enhancing the synergy between ecological and environmental policies and energy industry policies, strengthening the conservation and efficient use of resources and energy with a focus on major fields, key industries and crucial sectors, and accelerating the formation of industrial structures, production methods and lifestyles that are conducive to pollution abatement and carbon reduction. The plan is an important component of the "1+N" policy system for "Carbon Peaking and Carbon Neutrality", and is of great significance for further optimizing ecological environment governance, forming a collaborative work pattern for pollution abatement and carbon reduction, helping to build a beautiful China and achieving "Carbon Peaking and Carbon Neutrality".

2. BUSINESS OVERVIEW

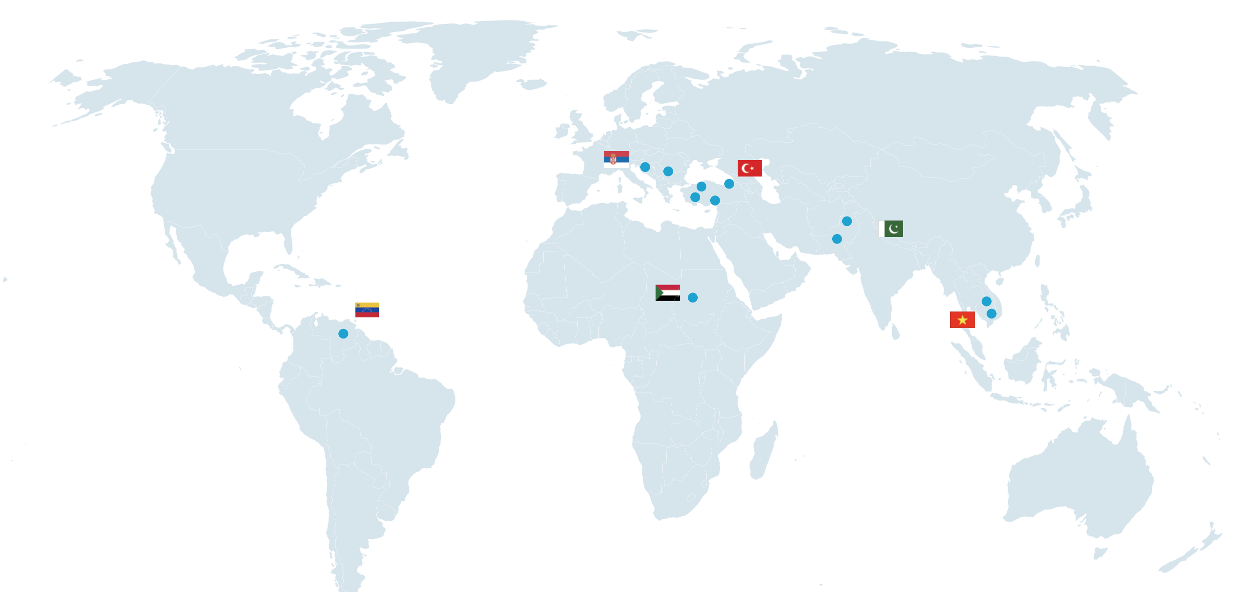
Since the beginning of this year, in the face of the intertwined influence of the complex and severe international situation and COVID-19 pandemic of the century, the world economy has struggled to recover and global development has encountered serious setbacks. The risks and challenges faced by China's economic and social development have become more complex and volatile. The production and operation activities in certain industries and regions have been stagnant, and indicators such as industrial output, electricity consumption and freight volume have continued to decline, thus presenting great challenges to the Group's business expansion and project execution. Moreover, the intensified geopolitical and political conflicts have resulted in a sharp rise in international commodity prices, which inevitably led to the increase of the Group's operating costs. Against the backdrop of international conflicts and COVID-19 pandemic, the Group's performance has been affected to a certain extent and has not reached its expectation in terms of both revenue and profit.

Due to the complexity and uncertainty of China's economic development, the Group will strive to continuously drive the development of its new business sectors and the transformation of its strategy. The Group will also focus on promoting and improving its refined management work, recruit high-caliber talents, allocate internal resources according to the needs of business development, and continued to improve and formulate multi-level and multi-stage high incentive methods in various business fields, in order to mobilize the initiative of the team and promote the rapid development of the Group's new business, thus achieving the strategic goals of the "14th Five-Year Plan".

As of 30 June 2022, the Group's projects have a broad geographic coverage over China, reaching 31 provinces, municipalities and autonomous regions in China. Meanwhile, 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 2022:

The following map shows the distribution of the projects of the Group outside the PRC as of 30 June 2022:



2.1 Flue Gas Treatment Business

As a provider of comprehensive green ecological treatment services for the industrial environment, the Group's business of flue gas treatment services is mainly conducted through various business models including EPC, O&M and concession operations (including "**Build-Operate-Transfer**" or "**BOT**", and "**Build-Own-Operate**" or "**BOO**"). During the Reporting Period, through continuously strengthening the construction of the customer service system and relying on our sound project implementation experience, we deeply explored the remaining market for the flue gas treatment business, which are described as follows:

EPC

EPC business mainly involves providing project design, equipment and materials procurement, project construction and equipment installment services in relation to SO_2 or NO_x emission control and dust removal for industrial customers such as power plants, steel factories, chemical plants, refining and building material companies. In recent years, with changes in environmental protection policies, the Group has continued to expand the scope of EPC business customers, from the traditional coal-fired power plant flue gas treatment industry to other industries such as petrochemical, steel, gas, electrolytic aluminum, coking, refining and building materials, and has repeatedly achieved remarkable results in the non-electricity market. During the Reporting Period, the Group added 7 new EPC contracts, with a total contract value amounting to approximately RMB112 million.

The following table sets forth the status of the newly added EPC projects during the Reporting Period:

No.	Environmental protection facility engineering projects under construction	Type of project	Newly built/upgraded	Date of contract	Aggregate contract value *RMB million*
1	Supplementary Agreement for SCR Denitrification Upgrading Project of Sintering Plant of Hebei Yanshan Iron and Steel Group Co., Ltd.	Denitrification	Upgraded	January 2022	2
2	The Project of Installation of Catalyst and Sonic Sootblower to No. 1 and No. 2 Boiler of Hebei Zhuozhou Jingyuan Thermal Power Co., Ltd.	Denitrification	Newly built	January 2022	7
3	Design Contract for Sintered Particles Upgrading and Renovation Project of No. 1 and 3 Sintering Plants of Hebei Jinxi Iron and Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	2
4	Industrial Products Sale and Purchase Contract for Sintered Particles Upgrading and Renovation Project of No. 1 and 3 Sintering Plants of Hebei Jinxi Iron and Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	24

No.	Environmental protection facility engineering projects under construction	Type of project	Newly built/upgraded	Date of contract	Aggregate contract value *RMB million*
5	Construction and Installation Contract for Sintered Particles Upgrading and Renovation Project of No. 1 and 3 Sintering Plants of Hebei Jinxi Iron and Steel Group Co., Ltd.	Desulfurization and dust removal	Upgraded	February 2022	25
6	General Contracting Project for Hot Blast Furnace Denitrification System of Iron-making Plant of Hebei Yanshan Iron and Steel Group Co., Ltd.	Denitrification	Newly built	March 2022	29
7	Upgrading Project of Ultra-low Emission Flue and Fan for Flue Gas Desulfurization and Denitrification of No. 4 Nickel-iron Kiln of Guangdong Century Qingshan Nickel Industry Co., Ltd.	Desulfurization and denitrification	Upgraded	March 2022	23

O&M services mainly includes operation services, regular maintenance services for desulfurization, denitrification and dust removal facilities owned by the customers. Under the O&M projects, our customers are either charged (i) service fees based on the total amount of on-grid electricity or tonnes of sintering iron ore generated during the service period, or (ii) a fixed price determined 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 2022, the Group had a total of 19 O&M projects under operation, covering industrial sectors such as thermal power and steel, which have operated consistently with their emissions in compliance with required standards, providing a stable source for 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 2022:

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 and dust removal	July 2018	March 2023	6×350MW
2	Yangcheng #7-8 Unit Flue Gas Desulfurization O&M Project	Desulfurization, dust removal and slag removal	June 2018	March 2023	2×600MW
3	Qinzhou Desulfurization O&M Project	Desulfurization	July 2015	June 2024	2×630MW+ 2×1,000MW
4	Jingjiang Flue Gas Desulfurization and Dust Removal O&M Project	Desulfurization and dust removal	March 2016	December 2023	2×660MW
5	Yangxi Flue Gas Desulfurization and Denitrification O&M Project	Desulfurization and denitrification	January 2017	December 2025	2×660MW+ 2×600MW

No.	Project name	Type of project	Starting date of service *(Month/Year)*	Expiring date of service contract *(Month/Year)*	Installed capacity
6	Shouguang Auxiliary Ashing and Sulfurization Control System Entrusted Operation Project	Desulfurization	May 2018	March 2024	2×1,000MW
7	Jinxi Iron and Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	February 2025	265 m^2 sintering machines
8	Jinxi Special Steel O&M Project	Denitrification, desulfurization and dust removal	March 2019	February 2023	2×210 m^2+1×265 m^2 sintering machines
9	Denitrification, Desulfurization and Dust Removal O&M Project on 350 m^2 Sintering Machines of Tianjin Iron Plant	Denitrification, desulfurization and dust removal	November 2019	November 2022	350 m^2 sintering machines
10	Denitrification O&M Project on 360 m^2 Sintering Machines of Tianjin Iron Plant	Denitrification	December 2019	November 2022	360 m^2 sintering machines
11	Desulfurization, Denitrification and Wastewater Zero-discharge System Equipment Maintenance Works under the O&M Project of No. 5 & 6 units of Yangxi Power Plant	Desulfurization, denitrification and wastewater zero-discharge	January 2022	August 2027	2×1240MW
12	Operation and Maintenance Service Project of Environmental Protection Facilities of Shanxi Yuguang Power Generation Co., Ltd.	Denitrification, desulfurization and dust removal	December 2021	July 2023	2×300MW+ 2×350MW
13	Hegang Chenggang O&M Project	Denitrification, desulfurization and dust removal	April 2022	April 2027	180 m^2 sintering machines
14	Desulfurization and Denitrification System Contract Operation Project of No. 2 Sintering Plant of Jinxi Iron and Steel Group Co., Ltd.	Denitrification, desulfurization and dust removal	July 2021	June 2024	265 m^2 sintering machines
15	Sintering Machine Flue Gas Purification Device O&M Project relating to the Integrated Project of Removing the Old District of HBIS Hansteel from Urban Area of Handan Iron and Steel Group Co., Ltd. *(Note 1)*	Denitrification, desulfurization and dust removal	From the date of uploading the environmental protection information to the Internet	Contract period of 5 years	435 m^2 sintering machines
16	2×1,000MW Desulfurization System O&M Project of SDIC Nanyang	Lime sulfur system	August 2021	August 2023	2×1,000MW
17	24 2×660MW Lime Sulfur and Coal Transportation and Maintenance Project of Panji Power Plant of Huainan Mining *(Note 2)*	Ash and slag removal, desulfurization and denitrification	November 2022	November 2024	2×660MW

No.	Project name	Type of project	Starting date of service *(Month/Year)*	Expiring date of service contract *(Month/Year)*	Installed capacity
18	Environmental Protection Facilities O&M Project of Shanxi International Energy Yuguang Coal and Electricity Co., Ltd.	Desulfurization and dust removal	April 2022	March 2025	1×1,000MW
19	Desulfurizer purchase and sale contract of Chengde Branch of Hebei Iron and Steel Co., Ltd.	Denitrification, desulfurization and dust removal	February 2022	February 2027	180 m^2 sintering machines

Notes:

1. Such projects are still under construction and the Company has not yet started providing any service. Upon completion of construction, the Company will start to provide O&M services from the date of uploading the environmental protection data to the Internet.

2. The service commencement date of such projects is a tentative date, and the actual commencement date is after the completion of the trial operation of Party A's first unit and its acceptance and handover.

Under the concession operation business model, the Group is responsible for the financing, investment, construction and operation of a project according to its concession contracts with its customers.

In 2022, the Group continued to carry out its concession operation business, including desulfurization, denitrification and green island. As of 30 June 2022, the Group accumulated seven concession operation projects and save for Shanxi Puzhou Phase I BOT Project, all of which have been under stable operation, laying a strong foundation for the Group 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 2022:

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 *(Note 1)*	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	Desulfurization	Newly built	112	May 2014	End of 2037
5	Xinjiang Shenhuo BOT Project	4×350MW	Green Island	Upgraded	490	June 2017	End of 2032

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)*
6	Huainan Guqiao BOT Project	2×330MW	Green Island	Upgraded	173	May 2018	End of 2033
7	Xinjiang Guotai Xinhua BOT Project	2×350MW	Green Island	Upgraded	150	July 2018	June 2028
8	Guangxi Laibin Desulfurization, Denitrification and Dust Removal BOO Project	2×300MW	Green Island	Upgraded	281	December 2018	End of 2033

Notes:

1. Shanxi Puzhou Phase I BOT Project is currently under negotiation of being repurchased by the owner, and the related BOT business has been suspended.

2.2 Water Treatment Business

During the Reporting Period, the Group's water treatment business has developed with favorable momentum. Relying on its engineering implementation experience and performance foundation in the field of water treatment, the Group successfully explored the markets of the pharmaceutical and paper industries. In January and April 2022, the Group entered into the Commission Contract for Domestic Sewage Treatment, Production and Operation of Xinjiang Northwest Oilfield Drilling Team, the Wastewater/Sewage Collection and Treatment Contract with Changzhi Yuanyan Pharmaceutical Technology Co., Ltd., and won the bid for the Pulping and Papermaking Sewage Treatment Upgrading EPC Project of Shandong Bohui Paper Co., Ltd, respectively. The contract value of the Pulping and Papermaking Sewage Treatment Upgrading EPC Project is approximately RMB275 million.

2.3 Hazardous and Solid Waste Treatment/Disposal Business

During the Reporting Period, the Group's Drilling Mud Solid Waste Treatment O&M Project in Xinjiang Drilling Area was operating smoothly, with a designed processing capacity of 120,000 tons per year. In the field of co-processing of cement kilns, the first phase of the Cooperative Hazardous and Solid Waste Disposal Project of Tangshan Yandong Cement Kiln in China is under construction in an orderly manner. The project is planned to be invested and constructed in two phases. After the completion and operation of the project, the annual processing capacity of hazardous solid waste is expected to reach about 100,000 tons. The Group's subsidiary, Qinghai Boqi is operating in an orderly manner.

2.4 Dual-Carbon Energy Saving Business

During the Reporting Period, the Group's dual-carbon energy saving projects operated steadily, and it always seeks to further expand its market share in the field of dual-carbon energy saving business. The CDQ Project of Energy Management Contract in Tianjin Iron Plant has been officially put into operation during the Reporting Period. In order to facilitate the implementation of the project, the contract model will be changed from the original EMC model to the BOT model, with the original contract term of 10 years remaining unchanged, which will provide a stable revenue stream for the Group in the mid- to long-term, thus laying a foundation for the strategic deployment of the Group's dual-carbon energy saving business.

3. FINANCIAL POSITION AND OPERATING RESULTS

In the first half of 2022, the COVID-19 pandemic spread in China, and particularly, several key economic hubs and core cities and regions (Beijing, Shanghai, Shenzhen and Guangzhou) were directly impacted, causing serious and lagging effects on the fundamentals of the Chinese economy. The Company's market expansion and project implementation faced severe challenges, gave rise to problems such as lower-than-expected market orders and falling operating indicators. Nevertheless, the overall production and operation were stable, and the operation and management activities were still running in an orderly manner.

Revenue

For the six months ended 30 June 2022, the Group's total revenue was RMB721 million, representing a decrease of 22.2% from RMB927 million for the first half of 2021, which was mainly due to during the first half of 2022, (i) progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented; (ii) certain O&M and concession operation projects were closed due to various reasons, such as expiry of contracts or cessation of projects due to other reasons; and (iii) the power generation of certain O&M and concession operation projects in the thermal power industry decreased, which in turn led to decrease in revenue.

The Group generates revenue primarily from four operating segments: (i) flue gas treatment, (ii) water treatment; (iii) hazardous and solid waste treatment/disposal business; and (iv) dual-carbon energy saving business. The following table sets forth a breakdown of the revenue of the Group by segment for the periods indicated.

	Segment revenue For the six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Flue gas treatment business	**616,407**	770,615
EPC	**196,152**	284,404
O&M	**157,805**	186,933
Concession Operation	**248,679**	269,022
Of which: Construction	**21,175**	7,398
Operation	**227,504**	261,624
Others	**13,771**	30,256
Water treatment business	**90,115**	42,571
Hazardous and solid waste treatment/disposal business	**4,625**	626
Dual-carbon energy saving business	**9,923**	113,042
Total	**721,070**	926,854

For the six months ended 30 June 2022, revenue generated from the Group's flue gas treatment business segment was as follows:

- Revenue from EPC business was RMB196 million, representing a decrease of 31.0% as compared with RMB284 million for the first half of 2021, mainly due to progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented;

- Revenue from O&M business was RMB158 million, representing a decrease of 15.5% as compared with RMB187 million for the first half of 2021, mainly due to the closure of certain O&M projects and the year-on-year decrease in power generation; and

- Revenue from concession operation business was RMB248 million, representing a decrease of 7.8% from RMB269 million for the first half of 2021, mainly due to the closure of certain concession operation projects and the year-on-year decrease in power generation of certain projects.

For the six months ended 30 June 2022, revenue from water treatment business segment of the Group was RMB90 million, representing an increase of 109.3% as compared with RMB43 million for the first half of 2021, mainly due to the increase in business scale during the Reporting Period resulting from market development.

For the six months ended 30 June 2022, the Group's hazardous and solid waste treatment/disposal business segment recorded a revenue of RMB5 million, representing an increase of 733.3% as compared with RMB0.6 million for the first half of 2021, mainly due to the increase in business scale during the Reporting Period resulting from market development.

For the six months ended 30 June 2022, revenue from the Group's dual-carbon energy saving business segment was RMB10 million, representing a decrease of 91.2% from RMB113 million for the first half of 2021, mainly due to the decrease in construction revenue after the substantial completion of project construction.

Cost of Sales and Services

For the six months ended 30 June 2022, the Group's cost of sales and services was RMB578 million, representing a decrease of 22.2% as compared with RMB743 million for the first half of 2021, mainly due to (i) progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented; (ii) certain O&M and concession operation projects were closed due to various reasons, such as expiry of contracts or cessation of projects due to other reasons; and (iii) the power generation of certain O&M and concession operation projects in the thermal power industry decreased on a year-on-year basis.

For the six months ended 30 June 2022, the cost of sales and services of the Group's flue gas treatment business segment are as follows:

- The cost of sales and services for EPC amounted to RMB184 million, representing a decrease of 30.3% as compared with RMB264 million for the first half of 2021, mainly due to progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 outbreak in the provinces where such projects were implemented;

- The cost of sales and services for O&M amounted to RMB130 million, representing a decrease of 13.3% as compared with RMB150 million for the first half of 2021, mainly due to the closure of certain O&M projects and the year-on-year decrease in power generation; and

- The cost of sales and services for concession operation amounted to RMB190 million, representing a decrease of 2.6% as compared with RMB195 million for the first half of 2021, basically unchanged as compared to the same period last year.

For the six months ended 30 June 2022, the cost of sales and services for water treatment business amounted to RMB59 million, representing an increase of 156.5% from RMB23 million for the first half of 2021, mainly due to (i) the increase of business scale during the Reporting Period; and (ii) the increase in the execution cost of certain projects during the COVID-19 pandemic.

For the six months ended 30 June 2022, the cost of sales and services for hazardous and solid waste treatment/disposal business was RMB7 million, representing an increase of 1,300.0% from RMB0.5 million for the first half of 2021, mainly due to the increase of business scale during the Reporting Period.

For the six months ended 30 June 2022, the cost of sales and services for dual-carbon energy saving business was RMB8 million, representing a decrease of 92.7% from RMB110 million for the first half of 2021, mainly due to the decrease in construction costs after the substantial completion of project construction.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2022, the Group's gross profit was RMB143 million, representing a decrease of 22.3% from RMB184 million for the first half of 2021, and the gross profit margin was 19.9%, which remained unchanged compared with the same period last year. The year-on-year decrease in gross profit was mainly due to (i) progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented; (ii) certain O&M and concession operation projects were closed due to various reasons, such as expiry of contracts or cessation of projects due to other reasons; and (iii) the power generation of certain O&M and concession operation projects in the thermal power industry decreased, which in turn led to decrease in revenue, whereas price of bulk materials increased, which in turn led to increase in cost.

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

	For the six months ended 30 June 2022		For the six months ended 30 June 2021	
		Gross Profit Margin		Gross Profit Margin
	RMB'000	***%***	*RMB'000*	*%*
Flue Gas Treatment Business	**112,670**		161,812	
EPC	**12,410**	**6.3**	20,432	7.2
O&M	**28,153**	**17.8**	37,138	19.9
Concession Operation	**58,336**	**23.5**	73,986	27.5
Of which: Construction	**272**	**1.3**	210	2.8
Operation	**58,064**	**25.5**	73,776	28.2
Others	**13,771**	**100**	30,256	100
Water Treatment Business	**30,933**	**34.3**	19,466	45.7
Hazardous and Solid Waste Treatment/Disposal Business	**(2,380)**	**(51.5)**	74	11.8
Dual-Carbon Energy Saving Business	**1,999**	**20.1**	2,953	2.6
Total	**143,222**	**19.9**	**184,305**	**19.9**

For the six months ended 30 June 2022, the gross profit of the Group's flue gas treatment business segment was as follows:

- The gross profit of EPC was RMB12 million, representing a decrease of 40.0% as compared with RMB20 million for the first half of 2021, mainly due to progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented;

- The gross profit of the O&M business was RMB28 million, representing a decrease of 24.3% as compared with RMB37 million for the first half of 2021, mainly due to (i) a year-on-year decrease in the power generation of certain projects and an increase in overhaul and maintenance costs due to the impact of the COVID-19 pandemic; and (ii) rising prices of bulk materials; and

- The gross profit of the concession operation business amounted to RMB58 million, representing a decrease of 21.6% as compared with RMB74 million for the first half of 2021, mainly due to (i) a year-on-year decrease in the power generation of certain projects and an increase in overhaul and maintenance costs due to the impact of the COVID-19 pandemic; and (ii) rising prices of bulk materials.

For the six months ended 30 June 2022, the gross profit of the Group's water treatment business segment amounted to RMB31 million, representing an increase of 63.2% as compared with RMB19 million for the first half of 2021, mainly due to the increase in business scale during the Reporting Period resulting from market development.

For the six months ended 30 June 2022, the gross loss of the Group's hazardous and solid waste treatment/disposal business segment was RMB2 million. The losses were mainly due to the delay in relevant administrative approvals and operational constraints because of environmental inspections and the impact of the COVID-19 pandemic.

For the six months ended 30 June 2022, the gross profit of the Group's dual-carbon energy saving business segment was RMB2 million, representing a decrease of 33.3% from RMB3 million for the first half of 2021, mainly due to the decrease in gross profit in the construction period after the substantial completion of project construction.

Other Income and Gains and Other Expenses and Losses

For the six months ended 30 June 2022, other income and gains and other expenses and losses consist primarily of interest income, government grants and rental income.

The following table sets forth a breakdown of other income and gains and other expenses and losses for the periods stated:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
	RMB'000	*RMB'000*
Interest income	**6,394**	7,463
Government grants	**1,165**	3,416
Rental income, net	**(85)**	(160)
Foreign exchange gain/loss	**5,381**	(2,453)
Losses on disposal of equity investments at FVTPL	**(61,361)**	–
(Losses)/Gains on fair value changes of financial assets at FVTPL	**(9,074)**	34,509
Others	**326**	2,981
	(57,254)	45,756

For the six months ended 30 June 2022, the Group's other income and gains and losses amounted to a loss of RMB57 million, representing a decrease of RMB103 million from a gain of RMB46 million for the first half of 2021, mainly because under the impact of the global and domestic economy, we recorded losses on disposal of equity investments at FVTPL and losses on fair value changes of financial assets at FVTPL during the Reporting Period.

Selling and Distribution Expenses

For the six months ended 30 June 2022, the Group's selling and distribution expenses were RMB7 million, representing a decrease of RMB2 million from RMB9 million for the first half of 2021. The mainly reason of the decrease was that the carrying out of sales activities was affected by the COVID-19 pandemic. The ratio of selling and distribution expenses to revenue remained stable.

Administrative Expenses

For the six months ended 30 June 2022, the Group's administrative expenses amounted to RMB48 million, representing an increase of RMB13 million from RMB35 million for the first half of 2021, mainly due to the acquisition of new operating entities, resulting in an increase of administrative expenses. The ratio of administrative expenses to revenue increased from 3.8% for the same period last year to 6.7%, mainly due to the decrease in revenue as compared to the same period last year, resulting in an increase in the ratio of administrative expenses to revenue.

Research and Development Expenses

For the six months ended 30 June 2022, the Group's research and development ("**R&D**") expenses amounted to RMB17 million, representing a decrease of RMB6 million from RMB23 million for the first half of 2021, and the ratio of R&D expenses to revenue decreased from 2.5% to 2.4%. The decrease in R&D expenses was mainly due to the delay in the implementation of R&D projects due to the COVID-19 pandemic.

Finance Costs

The Group's finance costs consisted of interest expenses on bank borrowings, lease liabilities and discounted bills receivable. For the six months ended 30 June 2022, the Group's finance costs were RMB9 million, representing an increase of RMB4 million from RMB5 million for the first half of 2021, mainly due to the increase in the Group's bank loans and other borrowings during the Reporting Period as compared to the first half of 2021.

Gearing Ratio

The gearing ratio is calculated as a percentage of the Group's total liabilities over the Group's total assets. As of 30 June 2022, the Group's gearing ratio was 38.3%, decreased by 4.2 percentage points from 42.5% as of 31 December 2021.

Income Tax Expenses

The income tax expenses of the Group for the six months ended 30 June 2022 were RMB6 million, decreased by 75.0% from RMB24 million for the first half of 2021, mainly due to (i) the significant decrease in the Group' profit before tax during the Reporting Period; and (ii) the strengthening of preferential tax policies.

Profit for the Reporting Period

For the six months ended 30 June 2022, the Group recorded a profit of RMB3 million for the period, representing a decrease of RMB160 million from RMB163 million for the first half of 2021. The decrease in the profit was mainly because during the first half of 2022, (i) progress of some EPC projects were delayed due to the stringent requirements for the prevention and control of COVID-19 pandemic outbreak in the provinces where such projects were implemented; (ii) certain O&M and concession operation projects were closed due to various reasons, such as expiry of contracts or cessation of projects due to other reasons; (iii) the power generation of certain O&M and concession operation projects in the thermal power industry decreased, which in turn led to decrease in revenue, whereas price of bulk materials increased, which in turn led to increase in cost; and (iv) as affected by the global and domestic economy, the Group recorded loss on disposal of equity investments at FVTPL.

Profit Attributable to the Owners of the Parent

As a result of the foregoing, for the six months ended 30 June 2022, profit attributable to the owners of the parent was RMB4 million, representing a decrease of RMB159 million from RMB163 million for the first half of 2021.

Cash Flows

The following table sets forth the cash flow position of the Group in the first half of 2022 and the first half of 2021:

	For the six months ended 30 June 2022 ***(RMB'000)***	For the six months ended 30 June 2021 *(RMB'000)*
Net cash used in operating activities	**(72,723)**	(90,385)
Net cash generated from/(used in) investing activities	**53,041**	(40,795)
Net cash used in financing activities	**(1,104)**	(8,737)
Net decrease in cash and cash equivalents	**(20,786)**	(139,917)

For the six months ended 30 June 2022, a net decrease of RMB21 million in cash and cash equivalent was recognized in the consolidated financial statement of the Group, after adjusting for the effects of exchange rate changes, our cash and cash equivalent decrease to RMB325 million at the end of the Reporting Period compared to RMB343 million at the beginning of the Reporting Period.

For the six months ended 30 June 2022, we had net cash used in operating activities of RMB73 million, representing a year-on-year decease of RMB17 million. The change was mainly attributable to the increase in receivables in stages.

For the six months ended 30 June 2022, we had net cash generated from investing activities of RMB53 million compared to net cash used in investing activities of RMB41 million in the same period last year, representing a year-on-year increase of RMB94 million. Such change was mainly attributable to (i) the increase in withdraw of pledged bank deposits; (ii) the increase of the gain from disposal of equity investments at FVTPL; and (iii) the payment of cash in acquiring Qinghai Boqi.

For the six months ended 30 June 2022, we had net cash used in financing actives of RMB1 million, representing a year-on-year decrease of RMB8 million. The change was mainly attributable to (i) new bank and other borrowings; and (ii) repayment of bank borrowings and interests.

Capital Expenditure

The capital expenditure of the Group comprises expenditures on the acquisition and construction of investment projects as well as equity investment. For the first half of 2022, the total capital expenditure of the Group was RMB138 million, representing an increase of 26.9% as compared with RMB109 million for the same period last year.

Pledge of the Group's Assets

As of 30 June 2022, the Group's long-term bank borrowings of RMB43 million were secured by the mortgages on properties owned by the Group.

Jinggangshan Boqi, a subsidiary of the Group, as the lessee, had entered into a finance lease arrangement (the "**Finance Lease Agreement**") with CITIC Financial Leasing Co., Ltd. ("**CITIC Leasing**"). Beijing Boqi had pledged all its equity interests in Jinggangshan Boqi and the service fee receivables under the Jinggangshan Boqi service concession agreement to CITIC Leasing to guarantee its liabilities under the Finance Lease Agreement.

Handan Boqi Environmental Technology Co., Ltd. ("**Handan Boqi**"), a subsidiary of the Group, as the lessee, had entered into a finance lease arrangement (the "**Finance Lease Agreement**") with Jiangsu Financial Leasing Co., Ltd. ("**Jiangsu Financial Leasing**"). Beijing Boqi had pledged all its equity interests in Handan Boqi and the service fee receivables under the Handan Boqi Service Concession Agreement to Jiangsu Financial Leasing to guarantee its liabilities under the Finance Lease Agreement.

Contingent Liabilities

As of 30 June 2022, the Group did not have any material contingent liabilities.

Significant Investments Held, Material Acquisitions and Disposals

From 30 December 2021 to 9 June 2022, the Group conducted a series of on-market transactions to dispose of an aggregate of 11,944,000 shares of Global New Material International Holdings Limited ("**GNM**") (representing approximately 1.0% of the total issued shares of GNM as at the date of this announcement) at an aggregate consideration of approximately HK$70.4 million (excluding transaction costs), representing an average price of approximately HK$5.9 per GNM share. The consideration of each of the Disposals represented the prevailing market prices of the GNM shares at the respective time of each of the Disposals and, after deducting transaction costs, was received by the Company in cash on settlement. As of 30 June 2022, the Group ceased to hold any GNM share. For further details on the disposals of the listed shares of GNM by the Group, please refer to the announcement of the Company dated 10 August 2022.

Save as disclosed above, during the Reporting Period, neither the Group held any significant investments, nor was there any material acquisition and disposal of subsidiaries and associated companies.

No Material Changes

Saved as disclosed in this interim announcement, during the Reporting Period, there were no material changes affecting the Group's performance that needs to be disclosed under Paragraphs 32 and 40(2) of Appendix 16 to the Listing Rules.

Future plans for material investments and capital assets

As of 30 June 2022, the Group did not have other plans for material investments and capital assets. The Group will continue to monitor the industry closely and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

4. THE GROUP'S FUTURE OUTLOOK

The Group strives to develop into a green ecological governance enterprise that provides comprehensive environmental protection services for industrial enterprises and cities, and realize the development pattern of "gas, water, solid and double-carbon energy saving" and the integration of the four business sectors with mutual synergic effect. The Group will continue to closely follow the national strategy and the Group's development plan, strive ahead with unswerving determination and adhere to the path of high-quality development, thereby the Group will solidly carry out the following tasks.

The Group will promote the coordinated development of the four major business segments. Leveraging on the technology and experience of existing projects, the Group will further expand the business scale of water treatment, hazardous and solid waste treatment/disposal and dual-carbon energy saving, while consolidating the scale of flue gas treatment business. Adhering to the customer-oriented principle and supported by advanced technology, the Group will deepen the synergy of the four major business segments. Fully catering for the needs of existing customers continuously, the Group will further explore new business areas to develop new customer resources, as well as promote the continuous and rapid growth of its diversified business through various strategies such as technical cooperation, strategic alliances and investment, merger and acquisition.

The Group will strengthen its resource adjustment and allocation capabilities, actively transformation of existing business and accelerate strategic business deployment. The Group will actively respond to national policies, continue to pay close attention to market trends, leverage on the strategic alliance partnership with state-owned enterprises and large industrial groups and cultivate professional talents and technical teams to continuously conduct exploration and research on emerging sectors such as carbon emission, and advance our business deployment based on the Group's development strategy.

The Group will insist on innovation-driven development and increasing R&D efforts. Under the background of "Carbon Peaking and Carbon Neutrality", the Group's technological research and innovation direction will be more focused on new business areas, while it will also expand to other sub-segments. Through the combination of technical cooperation and independent research and development, the Group will enhance its own technological innovation capabilities and continuously achieve technological upgrades and breakthroughs and establish key core technologies. By integrating resources such as technology, talents and markets, combining with focusing on specific business difficulties and needs, the Group will accelerate the transformation and application of technology and R&D achievements, thereby creating an advanced, scientific, standardized and high-quality low-carbon environmental protection service system.

Focusing on elevating the role of capital as a booster, and achieving mutual integration and growth of capital and industry, the Group will also utilize various methods such as resource injection by strategic shareholders, investments, mergers and acquisitions and multi-channel fund raising, to achieve the Group's strategic goals in the 14th Five-Year Plan.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Code

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate values and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

Mr. Zeng Zhijun assumed the dual roles of the chairman and the chief executive officer, which constitutes a deviation from code provision C.2.1 of the CG Code. With extensive experience in the environmental protection industry, Mr. Zeng is responsible for the overall management, decision making and strategy planning of our Company and has been instrumental to our Group's growth and business expansion. Since Mr. Zeng is one of the key persons of for our Group's management, our Board considers that vesting the roles of the chairman and the chief executive officer in the same person, Mr. Zeng, would not create any potential harm to the interest of our Group and it is, on the contrary, beneficial to the management of our Group. In addition, the operation of the senior management of our Group and our Board, which are comprised of experienced individuals, effectively checks and balances the power and authority of Mr. Zeng. Our Board currently comprises two executive Directors (including Mr. Zeng), three non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Therefore, the Board considers that the deviation from the CG Code is appropriate and justified.

In order to maintain good corporate governance and to ensure Company's compliance with code provisions of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of the chairman and the chief executive officer separately.

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 practices 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 of the Company, 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 C.1.3 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.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the first half of 2022 which give a true and fair view of the affairs of the Company and the Group as well as of the Group's performance results and cash flows.

The management of the Company has provided for the Board the necessary explanation and information to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to any event or circumstances which may cast significant doubt upon the Company's ability to continue as a going concern.

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

During the Reporting Period, the Company repurchased 56,000 Shares in aggregate on the Stock Exchange at a total consideration of HK$73,920.00, which were cancelled thereafter on 19 May 2022.

Details of the repurchase are summarized as follows:

Date of repurchase	Number of Shares	Highest price per share	Lowest price per share	Aggregate consideration
		HK$	*HK$*	*HK$*
31 March 2022	56,000	1.32	1.32	73,920

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and to the knowledge of the Directors, the Company maintained sufficient public float during the period from the Listing Date to 30 June 2022.

DIVIDEND POLICY

On 18 May 2018, the Board resolved to approve and announce the Group's dividend policy.

INTERIM DIVIDEND

In accordance with the Dividend Policy announced by the Company on 18 May 2018, the Board considers paying out annual dividends 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 2022 (2021: Nil).

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company was in compliance with the relevant laws and regulations that have a significant impact on the Company, and was not involved in any material legal proceedings.

ENVIRONMENTAL POLICIES AND PERFORMANCE

As an environmental protection service provider, the Group strictly abides by the laws and regulations relating to its businesses, including provision of services for environment protection and energy conservation, monitoring of the pollutants and flue gas generated by coal-fired power plants. The Group is committed to protecting the environment, giving back to community and achieving sustainable growth. The achievements of the Group are based on mutually beneficial relationships with our customers and employees, and harmonious coexistence with our ecological and social environment. The Group will continue to commit to its social responsibilities and exert its advantages as an environmental protection enterprise and make consistent efforts to build a beautiful environment with blue sky and white clouds.

Details of the environmental, social and governance of the Company were set out in the Environmental, Social and Governance Report (the "**ESG Report**") which was included in the 2021 Annual Report issued by the Company on 26 April 2022 pursuant to Rule 13.91 and Appendix 27 to the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

As a result of the outbreak of COVID-19 pandemic, the construction and installation of the Chongqing Chuanwei EPC Project was deferred, which in turn resulted in deferral of the standard compliance. Based on the confirmation letter dated 20 April 2022 signed by Beijing Boqi and Chongqing Chuanwei that No. 9 denitrification, desulfurization and dust removal system, being the last system in the Chongqing Chuanwei EPC Project, passed the 168-hour trial operation, the Chongqing Chuanwei EPC Project has completed the standard compliance. Notwithstanding that Beijing Boqi intends to submit the application for the final accounting and auditing of the Chongqing Chuanwei EPC Project in the year of 2022, as of the date of this announcement, the date of the completion remains unavailable since it is subject to the approval by Chongqing Chuanwei.

The Board expected that the transaction amount for the transactions contemplated under the Chongqing Chuanwei EPC Contract for the year ending 31 December 2022 as a result of the Deferred Standard Compliance will not exceed the annual cap of RMB10.1 million. The annual cap was determined with reference to, among others, the technical service fee, construction and installation expenses, as well as other preliminary cost for the deferred standard compliance and in accordance with the latest schedule of the Chongqing Chuanwei EPC Project, which amounted to approximately RMB9.2 million.

Please refer to the announcements of the Company dated 28 June 2022 and 21 July 2022 for further details on the deferral of the completion of the Chongqing Chuanwei EPC contract and the basis for pricing and payment terms.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee comprises 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 interim condensed consolidated results of the Group for the six months ended 30 June 2022, and the Audit Committee does not have any dissenting opinion on the interim results.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Company (www.chinaboqi.com) and the Stock Exchange (www.hkexnews.hk). The 2022 Interim Report containing all the information required by the Listing Rules will be dispatched to the Shareholders of the Company and will be published on the above websites for review in due course.

By order of the Board
China Boqi Environmental (Holding) Co., Ltd.
Zeng Zhijun
Chairman, Executive Director and Chief Executive Officer

Beijing, the PRC, 26 August 2022

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