OVERVIEW

We are one of the leading waste-to-energy ("**WTE**") companies in the PRC focusing on treatment of municipal solid waste. According to the 2013 annual research report published by *solidwaste.com.cn* and EY Advisory, we are among the first companies to explore industrial applications for waste management in the PRC, and one of the earliest enterprises to build, upgrade and develop advanced international incinerator technologies for waste treatment in the PRC. As of the Latest Practicable Date, we had seven WTE projects in operation (including two projects in commercial operation in Changzhou and Haining, and five projects in trial operation and are expected to commence commercial operation in 2014 in Pingyang, Yongjia, Rushan, Taizhou and Wuhan), 11 projects under development and two projects in preparation for which we have signed non-legally binding framework agreements in the PRC, among which one project (Huizhou) commenced construction in late 2013, and we expected to commence the construction on three WTE projects by the end of 2014. In addition, as of the Latest Practicable Date, we have also signed non-legally binding framework agreements for additional two projects in Thailand and Malaysia. See "Business—Our Projects—Project Facilities". According to EY Advisory, as of December 31, 2013, we were among the top ten companies engaged in waste incineration in the PRC based on actual waste treatment capacity, with a daily waste treatment capacity of 5,250 tons and these top ten companies together accounted for more than one-third of the estimated total waste treatment capacity in the PRC. As of the same date, we ranked third among WTE companies and second among companies using grate incinerator technology in the PRC in terms of total contracted waste treatment capacity, with a total contracted waste treatment capacity of approximately 20,000 tons on a daily basis. Total contracted capacity includes the waste treatment capacity of a company's projects in operation, under development and in the preparation stage. We had 20 projects in operation, under development or in the preparation stage across the PRC as of December 31, 2013, and ranked second among WTE companies and first among companies using grate incinerator technology in the PRC in terms of number of projects in operation or under development, according to EY Advisory. Our projects in the PRC have a broad geographic coverage encompassing the Yangtze River Delta region, Bohai economic rim and Pearl River Delta region, in addition to Hubei, Guizhou and Shanxi provinces.

We are engaged in the investment, technical consulting, construction, operation and maintenance of WTE plants in the PRC treating municipal solid waste using waste incineration technology. We provide three main services, namely project operation, project construction and technical consulting. Our project operation and project construction services primarily involve the construction and operation of WTE projects on a BOT basis for local municipal authorities in small and mid-sized PRC cities. Under the service concession contracts, we design and construct WTE plants which we then typically operate for a concession period of 23 to 30 years. We recognize construction revenues based on work performed for project construction. During the project operation phase, we earn waste treatment fees and electricity tariffs for the processing of waste and generation of electricity. Electricity produced by our WTE facilities (other than the amounts used for powering our own operations) is guaranteed to be purchased in full by power grid companies according to supportive governmental policies. In addition, we provide technical consulting services internally to members of our Group as well as externally to third parties, for which we receive a fee. In order to promote our technologies and expand our businesses, taking into account operation strategies and competition, we also intend to sell equipment and systems containing our patented technologies to other companies engaged in the WTE business and provide consulting services, including project planning, feasibility studies, project design, project integration and operation management services, and after-sale services such as installation, adjustments and technical assistance.

The PRC's need for solid waste treatment stems from its growing population, urbanization and improved average incomes which will generate substantial growth in municipal solid waste and increase the need for environmentally sustainable municipal solid waste treatment solutions. The development of waste treatment in the PRC is still at an early stage of environmental infrastructure development, with the first group of WTE facilities having been developed between 2001 and 2005. As of December 31, 2012, the amount of municipal solid waste generated per year in the PRC's cities was 237 million tons, while total waste treatment capacity was estimated to be only 179 million tons per year, and only 19.0% of such waste treatment capacity was through incineration. The PRC government has adopted various policies favoring the WTE industry, and according to the Twelfth Five Year Plan, the proportion of waste treatment through incineration should increase to 35% by 2015. Most small or mid-sized PRC cities still lack appropriate waste treatment facilities. A WTE facility is considered part of a municipality's infrastructure and, in a small or mid-sized city, would typically enjoy a certain degree of geographical exclusivity to process waste from the city. We believe that the favorable policies and market dynamics in the PRC present significant opportunities for growth and expansion of our business.

We have developed a deep understanding of the characteristics of municipal solid waste in the PRC and we have tailored our proprietary technologies to incinerate unsorted and high humidity waste with low heat values, which are typically found in PRC households. In particular, we apply grate incinerator technology, which enjoys advantages in performance, environmental protection and policy support compared to certain other types of incineration technologies. Leveraging our core technology, favorable industry dynamics, project management expertise and first-mover advantage, we have increased, and intend to continue increasing, our waste treatment capacity by expanding our operations in the PRC. We were recognized as one of the top ten influential enterprises in the PRC solid waste treatment industry in 2012 by *solidwaste.com.cn* and our multiple drive expeller grate waste incinerator technology was selected by the PRC Ministry of Construction as a core industrial technology to promote for use in the PRC WTE industry.

For the years ended December 31, 2011, 2012 and 2013, we generated turnover of RMB442.8 million, RMB932.1 million and RMB975.2 million, respectively, of which our project operation service generated RMB103.3 million, RMB114.0 million and RMB201.1 million, respectively, and our project construction service generated RMB313.0 million, RMB773.0 million and RMB714.9 million, respectively.

The following table sets forth the turnover generated by each of our services and their respective percentage of our total turnover for the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Project construction	312,982	70.7	773,027	82.9	714,944	73.3
Project operation	103,263	23.3	114,023	12.2	201,096	20.6
Technical consulting	3,407	0.8	7,090	0.8	1,469	0.2
Finance income(1)	23,129	5.2	37,986	4.1	57,676	5.9
	442,781	100.0	932,126	100.0	975,185	100.0

(1) Finance income relates to the gross amounts due from customers for contract work. For the guaranteed waste treatment fee from the relevant government authority as stipulated in relevant BOT concession agreements, we recognized the relevant financial assets which are measured at amortized cost using an effective interest rate. The financial income represents the income generated from such financial assets.

BASIS OF PRESENTATION

The principal accounting policies adopted in preparation of the financial information presented in this prospectus have been applied consistently for each of the years ended December 31, 2011, 2012 and 2013. The policies of preparation are in compliance with policies and requirements under IFRS, promulgated by the International Accounting Standards Board, and present a true and complete view of our financial condition as of the relevant time during the Track Record Period and our results of operations and cash flows during the relevant periods.

We are a Sino-foreign equity joint venture with limited liability established in the PRC on March 29, 2000. Throughout the Track Record Period, there has been no change in our Controlling Shareholder (BSAM) notwithstanding the occurrence of various capital injections and share transfers throughout the period. As part of our reorganization detailed in the section headed "History, Reorganization and Corporate Structure", we were converted into a joint stock limited liability company on April 23, 2012. On March 19, 2013, we acquired 100% of the equity interest of Blue-ocean Environment, which was 100% controlled by BSAM. As there was no change in the controlling equity owner (i.e. BSAM) as a result of the acquisition, the transaction was accounted for as a combination of entity under common control. Accordingly, the relevant assets and liabilities of Blue-ocean Environment were recognized at historical cost.

We have adopted merger accounting in preparing our financial statements. Our consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated cash flow statements and the operational data and discussion and analysis set forth in this prospectus are presented as if our current Group structure had been in existence throughout the Track Record Period. Our consolidated statements of financial position as of December 31, 2011, 2012 and 2013 have been prepared to reflect the financial condition of our subsidiaries as of the reporting date.

A summary of our principal accounting policies is set out in Section B, Note 1 to "Appendix I — Accountants' Report" included in this prospectus.

MATERIAL FACTORS AFFECTING RESULTS OF OPERATION

China's demand for waste incineration

The PRC's need for solid waste treatment solutions stems from its growing population, urbanization and rising average income levels. This generates substantial growth in municipal solid waste and increases the need for environmentally sustainable municipal waste treatment solutions. In particular, the proportion of the urban population to the overall population is increasing each year due to the steady growth of urbanization in the PRC in recent years. The total amount of municipal solid waste generated has also increased accordingly due to this urbanization process. From 2008 to 2012, the total amount of municipal solid waste generated in the PRC increased by 16% as the urbanization rate in the PRC increased by 5.6%. In addition, improvement in living standards also affects the production of municipal solid waste. In 2008, the per capita GDP in the PRC was approximately RMB24,000, while total municipal solid waste was 204 million tons. In 2012, the per capita GDP rose to approximately RMB38,000, while total municipal solid waste increased to 237 million tons.

In light of the PRC's economic development, the PRC government has emphasized the need for environmentally-friendly waste treatment and clean energy solutions. As of December 31, 2012, the total waste treatment capacity in the PRC was estimated to be approximately 179 million tons per year, of which approximately 19.0% was through incineration. As of December 31, 2012, EY Advisory estimated that there were 131 operational WTE projects in the PRC with a total waste treatment capacity of only 113,380 tons per day. According to the requirement set by the "National Plan for Establishing Facilities for Treatment of Urban Household Waste in a Non-Hazardous Way under the Twelfth Five-Year Plan", the proportion of solid waste incineration capacity to total process capacity should reach 35% by 2015. It is estimated that the municipal solid waste incineration capacity will increase to 215,542 tons per day in 2015, with the CAGR for 2013-2015 estimated to exceed 23%. We believe that the investment in the construction for waste incineration will continue to grow.

The progress of project construction

Our primary business is the construction, operation and maintenance of small and mid-sized WTE facilities on a BOT basis. Revenue generated from our project construction service is primarily the consideration receivable for the construction services, recognized under the percentage of completion method and the services do not generate actual cash flow in the construction period. Revenue and costs from the project construction service are only recognized when the project construction services commence. Therefore, our revenue depends on the number of projects we are constructing and the operational status of our existing facilities.

As WTE project construction generally takes a significant amount of time (with, on average, the preparatory work phase ranging from 6 to 9 months, the construction implementation phase ranging from 15 to 20 months and the operation preparatory phase which lasts approximately one year), there is typically a delay between the time the BOT project commences and the time when revenue for the project is completely recognized. Our revenue is significantly affected by the progress of construction projects. In the event there are fewer projects carried out or construction progress is slow over a given period, the revenue from project construction over such period may be relatively lower. On the other hand, if the number of projects or amount of work completed is higher over a given period, the revenue from project construction over such period will significantly increase. Therefore, our revenue may vary significantly from quarter to quarter and year to year.

Regulatory environment

Our business is deeply influenced by the regulations and policies of the PRC government. In support of the WTE industry, the PRC government has adopted various policies from which we benefit. As a result of supportive government policies, we benefit from government subsidies and preferential on-grid tariffs for electricity generated from renewable resources, favorable VAT tax treatment for WTE plants, favorable corporate tax treatment and subsidies for construction of WTE plants. For example, electricity generated from WTE plants enjoys preferential on-grid tariffs, which are typically 30% to 50% higher than tariffs for electricity generated from coal-fired power plants. In March 2012, the NDRC further revised this policy and issued the "Notice on Improving the Pricing Policy of Waste Incineration Power Generation", which set the benchmark on-grid tariff for WTE projects in the PRC at RMB0.65 per kWh, effective from April 1, 2012, subject to the WTE plant obtaining relevant approvals from certain regulatory authorities. As of the Latest Practicable Date, four of our WTE projects have not been able to obtain the benchmark on-grid tariff of RMB0.65 per kWh. In addition, WTE plants also enjoy priority access when selling electricity they generate to the grid, ensuring that the power they produce will be purchased.

The PRC government's supervision of the waste treatment industry is one of the key factors affecting our business. Since there is extensive environmental pollution in the PRC, environmental protection has become one of the main concerns of the PRC government in recent years. For example, the "Circular on Further Strengthening the Administration on Environment Impact Assessment of Biomass Power Projects" (關於進一步加強生物質發電項目環境影響評價管理工作的通知) promulgated jointly by the State Environmental Protection Ministry, the NDRC and the National Energy Administration in 2008 specifically addressed topics such as site selection, pollution prevention, management of upstream and downstream segments, environmental risk prevention and public participation with respect to establishing waste incineration facilities. It also required that environmental impact assessments be reviewed by first-tier environmental protection authorities at the provincial or municipal level and filed with the State Council. We believe the PRC government will continue to introduce additional laws and regulations in relation to environmental protection and solid waste treatment.

Whether or not we succeed in developing the market for waste incineration in the PRC will depend largely on the PRC regulatory environment remaining favorable for the WTE industry and our ability to adapt to future changes in environmental laws and regulations.

Competition to receive contracts for waste incineration projects

Competition in the PRC waste incineration industry is intense. The level of competition in the business in which we are engaged may affect our turnover and results of operation. Because a WTE facility is considered part of a municipality's infrastructure and generally enjoys a certain level of geographical exclusivity once constructed, most competition in the WTE industry occurs during the project bidding phase. We face strong competition mainly from domestic companies, which compete in terms of technology, quality, price, brand recognition, project execution capability, marketing and customer service. Some of our competitors have relatively greater financial, marketing or other resources and some may use other technologies that may be more advanced or more efficient than ours. For details of our main competitors, please refer to "Business — Competition".

Most of our turnover is generated from our BOT projects, which we typically secure through public tender processes or through negotiated agreements with the relevant entities. The waste treatment and other fees set forth in the concession agreements we enter into with our customers for these projects are determined by various financial and commercial considerations, including material costs, labor costs, other estimated expenses, expected net profit, market conditions, our business relationship with the customer and the impact of the project on our overall business. Our competitors compete with us in terms of technology, quality, price, brand recognition, project execution capability, marketing and customer service. Whether or not we can maintain or further enhance our profitability and market share will depend on our ability to reduce costs and on the distinctiveness of our product quality and brand and reputation.

Obtaining capital and financing costs

Our results of operations depend on our ability to obtain capital and other financing. As our business is highly capital intensive, we need substantial capital for the expansion of our business as well as for the construction of our WTE facilities. During the concession period for the BOT projects, we are liable for the construction cost of the facilities and the operation, repair and maintenance expenses of project facilities. Normally, we finance 30% of the total project investment from internal funds and the remaining 70% is financed externally, such as through bank borrowings.

Due to the substantial capital requirements of our projects, we must obtain bank borrowings or external funding from other sources and seek opportunities to issue shares or debt securities. Availability of capital is, therefore, critically important to our performance. Recently, volatility in financial markets as a result of the global financial crisis has led to a decrease in liquidity, widening of credit spreads, lack of price transparency in credit markets, decrease of available financing and tightening of credit terms. If the volatility in the credit market continues in the long term, our ability to obtain funds from current or future fund sources may be restricted or the cost of obtaining continuous funds may increase, which may lead to a decrease in our business turnover as a result of a contraction in credit conditions.

Financing costs affect our results of operations. As of December 31, 2011, 2012 and 2013, our unsettled loans and borrowings were approximately RMB305.2 million, RMB910.6 million and RMB1,709.4 million, respectively. During the Track Record Period, we entered into loan agreements for project construction and we expect to continue this practice in the future. Generally, our rate on long-term borrowings is linked to the long-term lending rate as set by the People's Bank of China ("**PBOC**"). The principal amounts of our long-term bank loans are generally repaid by yearly or monthly instalments during the loan period and the interest is paid monthly or quarterly. An increase in the lending rate by the PBOC may increase our financing costs and adversely affect our turnover and profit. Further, the implementation of restrictions for the purpose of restricting monetary supply on fixed asset investment and loan facilities by the PRC government would also affect the availability of capital and our financing costs.

Taxation

Our profitability and financial performance are affected by the tax rates applicable to us and the preferential tax treatments that we enjoy. For the years ended December 31, 2011, 2012 and 2013, our effective income tax rates were 24.8%, 12.1% and 18.6%, respectively. On March 16, 2007, the National People's Congress of the PRC promulgated The Enterprise Income Tax ("**EIT**") Law, which took effect on January 1, 2008. In accordance with the EIT Law and its regulations, a uniform enterprise income tax rate of 25% will be applied to both domestic enterprises and foreign-invested enterprises.

Our Company and some of our PRC subsidiaries are entitled to the following PRC preferential tax treatments:

- We were recognized as a High and New Technology Enterprise ("**HNTE**") in December 2008 and were entitled to a preferential income tax rate of 15% from January 2008 to December 2010. On October 31, 2011, we renewed our HNTE qualification by which we were entitled to the preferential income tax rate of 15% from January 2011 to December 2013. We are preparing the application to renew such qualification;

- Our project companies in Changzhou and Haining, according to the "PRC EIT Law and its Implementation Regulations" promulgated by the State Council in 2007, were both exempted from PRC enterprise income tax during the first three years of operation and were entitled to pay PRC enterprise income tax at 50% of the applicable tax rate during the fourth to sixth year, commencing in 2008 and 2009, respectively. Our project company located in Changzhou obtained the relevant approval in 2008 and our project company located in Haining obtained the relevant approval in 2012 (effective retroactively from 2009); and

- Our operating project companies enjoy the benefits of the tax rebate policy on value-added tax payable in accordance with the "Notice on Value-added Tax Policies on Comprehensive Utilization of Resources and Other Products" promulgated by the State Administration of Taxation in 2008. Our operating project companies can enjoy the exemption for value-added tax for waste treatment service in accordance with the "Notice on Adjusting and Improving the Value-added Tax Policies for Products and Labor Service that Comprehensively Utilize Resources" after fulfilling certain conditions as required by the State Administration of Taxation.

As of the Latest Practicable Date, to the best knowledge of our Directors after due enquiry, we paid all relevant taxes and have no disputes with relevant tax authorities.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES AND JUDGMENTS

The discussion and analysis of our results of operations and financial condition is based on our consolidated financial information prepared in accordance with IFRS. Our results of operations and financial condition are dependent upon the accounting methods, assumptions and estimates used in the preparation of our consolidated financial information. We evaluate these estimates and judgments based on historical experience and other factors on an ongoing basis, including expectations of future events, which we currently believe to be reasonable.

Our critical accounting estimates and judgments are set out in Section B Note 2 to "Appendix I — Accountants' Report" to this prospectus.

We make accounting estimates and assumptions concerning the future. In theory, accounting estimates will differ from actual results. We will discuss below the situations in which material adjustments have to be made on the carrying amount of assets and liabilities in future years as a result of the material risks inherent with the accounting estimates and assumptions.

Service concession arrangements

We entered into BOT arrangements in relation to WTE projects. Under the control and regulation of the local government, we are required to provide service at a pre-determined service rate, and all BOT arrangements are accounted for as service concession arrangements pursuant to IFRIC 12. The relevant infrastructure should be handed over to the local government at nil consideration when the concession agreement expires.

Construction contracts

A construction contract is a contract negotiated with a customer for the construction of an asset or a group of assets where the customer is able to specify major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognized as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognized as an expense in the period in which they are incurred.

The fair value of construction services of a BOT project is assessed by an independent valuer. The independent valuer assesses the fair value of construction services of a BOT project by considering the budgeted construction cost and the estimated return on cost for the project. We estimate the budgeted construction cost based on our assessment of market conditions, costs of raw material and equipment, and other operating costs, among other factors. In order to assess the estimated return on cost, the independent valuer would make reference to the relevant operating margins as of the respective valuation dates of similar engineering companies that provide services to the energy companies. Operating margin is the percentage of profit on sales revenue from which the independent valuer would derive the return on cost.

The recognition of revenue and profit on a project in progress depends on estimating the final outcome of the construction contract, as well as the work completed to date. Based on our recent experience and the nature of the construction activity we undertake, we make estimates of the point at which our work is sufficiently advanced such that we can estimate reliably the costs to completion and revenue. Until we reach such point, we do not include in the amounts we record as "gross amounts due from customers for contract work" and "WTE concession rights" profit which we may eventually realize from the work completed to date. In addition, our actual costs or revenue could be higher or lower than the estimates made at the end of the reporting period, which would affect the revenue and profit we recognize in future years as an adjustment to the amounts recorded to date.

Impairment loss on bad and doubtful debts

Impairment loss on bad and doubtful debts result from customers' failure to make required payments. The estimates we make on impairment loss on bad and doubtful debts are based on the aging analysis of receivables, customer credit-worthiness and historical write-off experience. In the event the financial position of a customer worsens, the actual write-off may be higher than the estimate.

Other impairment loss

When there is an indication that we will be unable to recover the carrying amount of investments in subsidiaries and associates, vehicles and equipment and intangible assets, the relevant asset may be considered as impaired, and may be recognized as impairment loss pursuant to the International Accounting Standards ("**IAS**") 36 (Impairment of Assets). We regularly review the carrying amount of such assets to assess whether or not the recoverable amount has declined below the carrying amount. Where such a decline has occurred, or there is a change in circumstances that would lead to our inability to recover the carrying amount recorded, an impairment test must be performed with respect to such assets. In the case of impairment, the carrying amount is reduced to the recoverable amount. The recoverable amount is the higher of the fair value less the cost of sale or the value-in-use. It is difficult to estimate accurately the fair value since there is no open market price for our assets. When determining the value-in-use, the cash flow arising from assets is expected to be discounted to their present value, and material judgment is required for the level of revenue from sales and the amount of operating cost. We will use all information available, including estimates based on reasonable and supportive assumptions and forecasts on sales revenue and the amount of operating cost, when determining a reasonable amount comparable to the recoverable amount.

Income tax

Determining income tax provision involves judgment on the future tax treatment of certain transactions. We carefully evaluate tax implications of transactions and tax provisions are provided accordingly. The tax treatment of such transactions is re-evaluated regularly to take into account all changes in tax legislations. As deferred tax assets can only be recognized to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilized, management's judgment is required to assess the probability of future taxable profits. Management will reassess such estimates at the end of the reporting period. Additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Intangible assets

We recognize the WTE operating right when we are able to charge for the use of the relevant concession infrastructure projects under the service concession agreement. WTE projects are taken as consideration for the construction services provided under the service concession arrangements. The initial recognition of the operating right will be determined at fair value with reference to the fair value of the services to be provided. After initial recognition, concession for WTE projects will be measured at cost, including the borrowing costs capitalized less accumulated amortization and impairment loss.

When estimating the recoverable amount of the WTE project operating rights, we applied a discount rate of 8.57%, which represented the weighted average cost of capital ("**WACC**") of the project companies and is specific to our WTE project operating rights concerned. The WACC is calculated taking into account the relative weights of each component of the capital structure of the project companies. For the debt component, the cost represents the average interest rates of the bank loans obtained for by the project companies. For the equity component, the cost is calculated by reference to the average return on equity required by other listed company in the similar industry which bearing similar risks related to the WTE project operating rights. The recoverable amount is estimated to be higher than the carrying amount at each year end during the Track Record Period, and no impairment is required.

It is estimated that a general increase of 300 basis points in discount rates (applying a discount rate of 11.57%), with all other variables held constant, would have no impact on the carrying amounts of our intangible asset as of December 31, 2011, 2012 and 2013, respectively.

The expenditure on research activities is recognized as an expense in the year/period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and we have sufficient resources and the intention to complete the development. The capitalized expenditure includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development costs are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred.

Amortization of finite-life intangible asset is charged to the profit or loss on a straight line basis over its estimated useful life. The estimated useful life of the concession for WTE projects under the service concession arrangement is the period from the time we charge the public for concession infrastructure to the time the concession ends.

Intangible assets are amortized from the date such assets are available for use. The estimated useful life for computer software is 10 years and WTE projects operating rights is 23 to 30 years. Both the period and method of amortization are reviewed annually.

Revenue recognition

Revenue is measured at fair value of the amount received or receivable. Provided that it is probable that we will receive economic benefits and that revenue and costs (as applicable) can be measured reliably, we recognize revenue in the profit or loss as follows:

(i) Service concession arrangements

Revenue in relation to the construction services provided under the relevant service concession arrangements is recognized based on the stage of completion of the contract. Operation or service revenue is recognized during the period in which we provide the services. If we provide more than one kind of service under the service concession arrangement, the consideration received will be allocated at the relevant fair value of the services provided when the amount is identified separately.

(ii) Revenue of construction service

Contract revenue and expenditure are recognized in the profit or loss when the results of construction contracts can be estimated reliably based on the proportion of the stage of completion of contract. We typically begin to recognize construction revenue when the project construction commences, and all of our construction service revenue (except any outstanding warranties) will be recognized when we obtain the approval of relevant authorities for commencement of trial operation.

The stage of completion will be determined with reference to the assessment of the percentage of contract costs incurred to date to estimated total costs for the contract. In the event the results of construction contracts cannot be reliably estimated, contract revenue is recognized only when it is probable to recover the contract costs incurred. The expected contract loss is recognized immediately as an expense in the profit or loss.

(iii) WTE project operation, construction management and consulting service revenue

WTE project operation, construction management and consulting service revenue are recognized when the services are provided. Revenue does not include value-added tax or other sales tax. We typically recognize our project operation revenue when waste is incinerated and electricity is delivered to the wire network of power grid companies.

(iv) Finance income

Finance income is recognized using the effective interest method as it accrues.

(v) Government grants

Government grants are initially recognized in the statement of financial position when there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. Government grants which compensate our expenditure are recognized as an income in the profit or loss systematically at the same period as the expense incurred. Government grants which compensate our asset cost will be deducted from the carrying amount of the assets, and subsequently recognized in the profit or loss by way of reduced depreciation charge over the useful life of the assets.

CONSOLIDATED OPERATING RESULTS

The following summary of our operating results is extracted from and should be read in conjunction with "Appendix I — Accountants' Report" and the notes thereto.

The following table sets forth our consolidated statement of comprehensive income for the periods indicated:

	Year ended December 31,					
	2011		2012		2013	
	Amount	Percentage of total turnover	Amount	Percentage of total turnover	Amount	Percentage of total turnover
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Turnover	442,781	100.0	932,126	100.0	975,185	100.0
Project construction	312,982	70.7	773,027	82.9	714,944	73.3
Project operation	103,263	23.3	114,023	12.2	201,096	20.6
Electricity tariffs	70,643	15.9	82,165	8.8	155,596	16.0
Waste treatment fees	28,142	6.4	23,134	2.5	40,004	4.0
Others	4,478	1.0	8,724	0.9	5,496	0.6
Technical consulting	3,407	0.8	7,090	0.8	1,469	0.2
Finance income[(1)]	23,129	5.2	37,986	4.1	57,676	5.9
Direct costs and operating expenses	(309,700)	(69.9)	(698,949)	(75.0)	(688,022)	(70.6)
Gross profit	133,081	30.1	233,177	25.0	287,163	29.4
Other revenue	18,939	4.2	6,698	0.7	24,864	2.6
Other net income	1,726	0.4	16	0.0	4,844	0.5
Administrative expenses	(31,099)	(7.0)	(36,712)	(3.9)	(56,341)	(5.8)
Other operating expenses	(276)	(0.1)	(109)	0.0	(898)	(0.1)
Profit from operations	122,371	27.6	203,070	21.8	259,632	26.6
Finance costs	(21,624)	(4.9)	(36,615)	(3.9)	(74,290)	(7.6)
Profit before taxation	100,747	22.7	166,455	17.9	185,342	19.0
Income tax	(24,970)	(5.6)	(20,115)	(2.2)	(34,441)	(3.5)
Profit for the year	75,777	17.1	146,340	15.7	150,901	15.5
Other comprehensive income	(7,717)	(1.7)	14	0.0	(1,200)	(0.1)
Total comprehensive income for the year	68,060	15.4	146,354	15.7	149,701	15.4
Basic and diluted earnings per share	RMB0.12		RMB0.21		RMB0.22	
Effective Tax rate	24.8%		12.1%		18.6%	

(1) Finance income relates to the gross amounts due from customers for contract work. For the guaranteed waste treatment fee from the relevant government authority as stipulated in the relevant BOT concession agreements, we recognized the relevant financial assets which are measured at amortized cost using an effective interest rate. The financial income represents the income generated from such financial assets.

Description of Selected Components of Operating Results

We primarily build and operate our WTE plants on a BOT basis. As of the Latest Practicable Date, we had two projects in commercial operation and five projects in trial operation. We design and construct WTE plants which then typically operate for a concessionary period of 23 to 30 years. Based on the terms of the BOT agreements and internal projections, the estimated average project investment payback period for each BOT project from the commencement of the respective WTE plant's operations is approximately 8 to 12 years. Our BOT projects require high amounts of capital expenditure and working capital during the construction phase, which we fund through internal funds generated by our operational projects and through external borrowings. Once operational, our WTE plants generate revenue through receiving waste treatment fees and on-grid electricity tariffs.

The following table summarizes key operating data for our operational projects for the periods indicated:

	Year ended December 31		
	2011	**2012**	**2013**
Changzhou project			
Amount of municipal solid waste received (tons)	446,800	492,500	450,700
Amount of on-grid electricity (MWh)	78,200	74,900	83,200
Haining project			
Amount of municipal solid waste received (tons)	190,100	206,500	194,200
Amount of on-grid electricity (MWh)	47,100	51,800	53,300
Pingyang project			
Amount of municipal solid waste received (tons)	—	—	213,500
Amount of on-grid electricity (MWh)	—	—	52,300
Yongjia project			
Amount of municipal solid waste received (tons)	—	—	280,400
Amount of on-grid electricity (MWh)	—	—	62,400
Rushan project			
Amount of municipal solid waste received (tons)	—	—	8,300
Amount of on-grid electricity (kWh)	—	—	1,400
Taizhou project			
Amount of municipal solid waste received (tons)	—	—	62,300
Amount of on-grid electricity (MWh)	—	—	7,200
Wuhan project			
Amount of municipal solid waste received (tons)	—	—	199,200
Amount of on-grid electricity (MWh)	—	—	40,700

Turnover

We generate turnover primarily from two of our services: project operation and project construction. Our third main service, technical consulting, accounted for less than 1% of our total turnover during the Track Record Period. In accordance with applicable accounting rules and principles, our businesses are as follows:

Project construction:

Turnover generated from our project construction service is primarily the consideration receivable for those construction services, recognized under the percentage of completion method. The fair value of consideration for construction services of each BOT project is assessed by an independent valuer. The independent valuer assesses the fair value of construction services of a BOT project by considering the budgeted construction cost and the estimated return on cost for the project. The budgeted construction cost is estimated based on our assessment of market conditions, costs of raw material and equipment, and other operating costs, among other factors. The estimated return on cost is assessed by referencing comparable mark-ups, as of the respective valuation dates, of similar engineering companies that provide services to energy companies.

Turnover and costs from the project construction service begin to be recognized when the project construction services commence. The percentage of completion is assessed by reference to the percentage of contract costs incurred to date to the estimated total costs for the contract. Therefore, our turnover may fluctuate based on the number of construction projects and the amount of work completed. Please see "Risk Factors — Inaccurate estimations for our BOT projects may lead to lower profits than initially reported and materially affect our results of operations during any period."

Correspondingly, the fair value of consideration for project construction services is recognized and allocated between intangible assets and gross amounts due from customers for contract work on the balance sheet when the construction services commence. We assess the impairment of the allocated amounts in accordance with IAS 36 and IAS 39 throughout the concession period and perform impairment testing when required. Gross amounts due from customers for contract work relates to the guaranteed waste treatment fee from the relevant government authority as stipulated in the relevant BOT concession agreements. The portion allocated as intangible assets is calculated based on the fair value of the BOT construction services less gross amounts due from customers for contract work. Finance income accrues on the outstanding gross amounts due from customers for contract work, using the effective interest method, from the time when we recognize relevant gross amounts due from customers for contract work.

There are generally no tariff or fee payments during the construction phases and thus the construction services do not generate actual cash inflow during the construction period.

Project operation:

For our operational projects, we record project operation turnover from the provision of waste treatment services and for sales of electricity, hot water and steam. We will receive waste treatment fee from the BOT grantor for our waste treatment services provided. The total fee related to waste treatment services rendered in each year minus the amount of guaranteed waste treatment fee for that year are recognized in project operation turnover. The amount of guaranteed waste treatment fee has been recognized in the gross amounts due from customers for contract work during the construction period therefore such amounts will not be recognized as project operation turnover. The total fees related to waste treatment services rendered in a given period are reflected in trade receivables, including the billable portion of the guaranteed waste treatment fee which is transferred from gross amounts due from customers for contract work prior to collection. When cash payments for waste treatment fee are received, they are used to settle trade and other receivables which include the portion transferred to offset gross amounts due from customers for contract work for that period and they will be accounted for in the cash flow statements. Finance income continues to accrue on the outstanding gross amounts due from customers for contract work and is reflected in trade receivables along with the corresponding billable amount of the minimum waste treatment fee. During the Track Record Period, our turnover generated from the project operation service experienced a steady growth, mainly attributable to the fact that our new projects have gradually become operational and the amount of waste treated at our operational facilities during the Track Record Period continued to increase.

Technical consulting:

During the Track Record Period, our income from technical consulting services derived mainly from the construction project management services provided to Tongcheng Incineration and Power Generation Company, a third party customer.

For the years ended December 31, 2011, 2012 and 2013, our total cash receipts for waste treatment fees were RMB50.4 million, RMB53.3 million, and RMB85.0 million, respectively, and cash receipts for electricity tariffs were RMB68.5 million, RMB47.9 million and RMB183.1 million, respectively. For the same periods, we recorded project operation turnover of RMB103.3 million, RMB114.0 million and RMB201.1 million, respectively, and finance income of RMB23.1 million, RMB38.0 million and RMB57.7 million, respectively.

The following table sets forth the respective turnover of each of our services by project and as a percentage of total turnover for the periods indicated:

	Years ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Project construction						
Changzhou project	—	—	6,878	0.7	9,104	0.9
Haining project	—	—	—	—	—	—
Yongjia project	112,617	25.4	133,365	14.3	4,310	0.4
Pingyang project	151,739	34.3	98,095	10.5	10,920	1.1
Wuhan project	48,626	11.0	200,952	21.6	226,192	23.2
Taizhou project	—	—	208,127	22.3	301,863	31.0
Rushan project	—	—	125,610	13.5	144,044	14.8
Huizhou project	—	—	—	—	18,511	1.9
Total	312,982	70.7	773,027	82.9	714,944	73.3
Project operation						
Electricity tariffs						
Changzhou project	43,429	9.8	42,256	4.5	46,914	4.8
Haining project	27,214	6.1	29,893	3.2	30,090	3.1
Yongjia project	—	—	4,857	0.5	29,979	3.1
Pingyang project	—	—	5,159	0.6	25,220	2.6
Wuhan project	—	—	—	—	19,390	2.0
Taizhou project	—	—	—	—	4,002	0.4
Rushan project	—	—	—	—	1	0.0
Subtotal	70,643	15.9	82,165	8.8	155,596	16.0

	Years ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Waste treatment fees						
Changzhou project	17,992	4.1	18,501	2.0	18,810	1.9
Haining project	4,595	1.0	4,599	0.5	3,615	0.4
Yongjia project	—	—	—	—	5,314	0.5
Pingyang project	—	—	34	0.0	2,886	0.3
Wuhan project	—	—	—	—	7,942	0.8
Taizhou project	—	—	—	—	1,437	0.1
Rushan project	—	—	—	—	—	—
Jiangmen project[(1)]	5,555	1.3	—	—	—	—
Subtotal	28,142	6.4	23,134	2.5	40,004	4.0
Others						
Changzhou project[(2)]	4,478	1.0	8,724	0.9	5,473	0.6
Haining project	—	—	—	—	23	0.0
Subtotal	4,478	1.0	8,724	0.9	5,496	0.6
Total	103,263	23.3	114,023	12.2	201,096	20.6
Technical consulting						
Total	3,407	0.8	7,090	0.8	1,469	0.2
Finance income[(3)]						
Changzhou project	10,530	2.4	10,257	1.1	9,947	1.0
Haining project	8,360	1.9	8,233	0.9	8,067	0.9
Yongjia project	1,887	0.4	5,686	0.6	7,670	0.8
Pingyang project	2,352	0.5	5,960	0.6	5,826	0.6
Wuhan project	—	—	4,483	0.5	12,876	1.3
Taizhou project	—	—	2,072	0.2	8,956	0.9
Rushan project	—	—	1,295	0.2	4,099	0.4
Huizhou project	—	—	—	—	235	0.0
Total	23,129	5.2	37,986	4.1	57,676	5.9
Total turnover	442,781	100.0	932,126	100.0	975,185	100.0

(1) The Jiangmen project is a medical waste incineration facility in Jiangmen city, Guangdong province. On August 29, 2011, we sold our entire interest in the operating company of the Jiangmen project to a fellow subsidiary of BSAM.

(2) Other income from the Changzhou project comprises income received from sales of steam and hot water.

(3) Finance income relates to the gross amounts due from customers for contract work. For the guaranteed waste treatment fee from the relevant government authority as stipulated in relevant BOT concession agreements, we recognized the relevant financial assets which are measured at amortized cost using an effective interest rate. The financial income represents the income generated from such financial assets.

During the years ended December 31, 2011, 2012 and 2013, our project construction service recorded turnover of RMB313.0 million, RMB773.0 million and RMB714.9 million, respectively, representing 70.7%, 82.9% and 73.3%, respectively, of total turnover. The increase in construction turnover from 2011 to 2012 was primarily due to the construction progress at our Rushan, Taizhou and Wuhan projects. The decrease in construction turnover from 2012 to 2013 was mainly attributable to the substantial completion of construction at our Pingyang and Yongjia projects in 2012.

During the same periods, turnover from our project operation service amounted to RMB103.3 million, RMB114.0 million and RMB201.1 million, respectively, representing 23.3%, 12.2% and 20.6%, respectively, of total turnover. The increase in turnover from project operation from 2011 to 2012 was primarily due to electricity tariffs received during test runs at the Pingyang and Yongjia projects. The increase in turnover from 2012 to 2013 was mainly a result of turnover from the projects in Pingyang, Yongjia, Taizhou, Rushan and Wuhan, which entered trial operation in 2013. For the years ended December 31, 2011, 2012 and 2013, electricity tariffs contributed 68.4%, 72.1% and 77.4%, respectively, of our turnover from project operation, whereas waste treatment fees contributed 27.3%, 20.3% and 19.9%, respectively.

Turnover from our technical consulting service remained at a relatively low level, contributing less than 1% of our total turnover during the Track Record Period.

We entered into various transactions with local government entities and power grid companies of the PRC and the total amount of such transactions contributed a significant amount of our turnover. The turnover from the WTE project construction and operation services provided under the BOT arrangements and the finance income from the local government authorities and power grid companies of the PRC were RMB439.4 million, RMB925.0 million and RMB973.7 million, respectively, for the years ended December 31, 2011, 2012 and 2013.

Direct costs and operating expenses

Our direct costs and operating expenses primarily include costs of project construction, labor costs, materials costs, amortization of intangible assets, overhaul expenses, environmental protection expenses and other costs. Direct costs and operating expenses of our project construction service are recognized when incurred and generally create a cash outflow during the period in which they are recognized. Direct costs and operating expenses of our project operation service and technical consulting service are recognized when incurred.

The following table sets forth the respective direct costs and operating expenses of our services and as a percentage of total costs for the periods indicated:

	Years ended December 31,					
	2011		2012		2013	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Project construction	255,635	82.5	635,523	91.0	572,149	83.1
Project operation	53,203	17.2	61,760	8.8	115,405	16.8
Technical consulting	862	0.3	1,666	0.2	468	0.1
Total direct costs and operating expenses	309,700	100.0	698,949	100.0	688,022	100.0

During the years ended December 31, 2011, 2012 and 2013, direct costs and operating expenses of our project construction service amounted to RMB255.6 million, RMB635.5 million and RMB572.1 million, respectively, representing 82.5%, 91.0% and 83.1%, respectively, of total direct costs and operating expenses. The increase from 2011 to 2012 was primarily due to higher amount of construction work performed as construction began at our projects in Rushan, Taizhou and Wuhan. The decrease from 2012 to 2013 was primarily a result of costs associated with significant construction progress at our Rushan, Taizhou and Wuhan projects in 2012.

During the same periods, direct costs and operating expenses of our project operation service amounted to RMB53.2 million, RMB61.8 million and RMB115.4 million, respectively, representing 17.2%, 8.8% and 16.8%, respectively, of our total direct costs and operating expenses. The increase from 2011 to 2012 was primarily a result of increased labor costs at our Haining project and operating costs for the test runs at our projects in Pingyang and Yongjia. The increase from 2012 to 2013 was mainly due to our projects in Pingyang, Yongjia, Taizhou, Rushan and Wuhan commencing trial operation.

Direct costs and operating expenses from our technical consulting service accounted for 0.3% or less of our total costs during the Track Record Period.

The following table set forth a breakdown of our direct costs and operating expenses for the periods indicated:

	For the year ended December 31,					
	2011		2012		2013	
	Amount	Percentage of total costs	Amount	Percentage of total costs	Amount	Percentage of total costs
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Costs of project construction:						
Labor costs	8,274	2.7	16,242	2.3	18,524	2.7
Civil engineering cost	132,597	42.8	275,896	39.5	127,242	18.5
Equipment and installation services	98,593	31.8	266,098	38.1	378,773	55.1
Land cost	—	—	21,041	3.0	—	—
Others	16,171	5.2	56,246	8.0	47,610	6.9
Amortization of intangible assets	18,632	6.0	22,805	3.3	34,644	5.0
Labor costs	17,282	5.6	23,545	3.4	34,553	5.0
Environmental protection expenses	9,307	3.0	8,814	1.3	19,048	2.8
Material costs	5,591	1.8	7,201	1.0	11,747	1.7
Overhaul costs	—	—	—	—	8,209	1.2
Other expenses	3,253	1.1	1,061	0.1	7,672	1.1
Total	309,700	100.0	698,949	100.0	688,022	100.0

Costs of project construction mainly comprise our expenses for labor costs, civil engineering costs, equipment and installation services, land cost and others. Labor costs mainly comprise the salary and benefits we pay to all of our staff who have directly participated in business operation. Environmental protection expenses mainly comprise the costs on the purchase of fabrics, active carbon and limestone for the installation of gas purification equipment. Material costs mainly comprise our expenses on spare parts, fuel and other materials. Overhaul costs mainly comprise overhaul of our plants which occurs every 4 to 6 years. Other costs mainly comprise costs of miscellaneous items such as waste water processing fees. Our costs of project construction constitute a significant portion of our direct costs and operating expenses.

Gross profit and gross profit margin

Our gross profit is calculated based on the total turnover less direct costs and operating expenses. Gross profit for each service is calculated based on the turnover generated by each service less direct costs and operating expenses incurred by each service. Our gross profit is primarily derived from our project construction and project operation services. The following table set forth the gross profit and gross profit margin of each of our services for the periods indicated:

	Years ended December 31,					
	2011		2012		2013	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Project construction	57,347	18.3	137,504	17.8	142,795	20.0
Project operation	50,060	48.5	52,263	45.8	85,691	42.6
Technical consulting	2,545	74.7	5,424	76.5	1,001	68.1
Finance income(1)	23,129	—	37,986	—	57,676	—
Total gross profit	133,081	30.1	233,177	25.0	287,163	29.4

(1) Finance income relates to the gross amounts due from customers for contract work. For the guaranteed waste treatment fee from the relevant government authority as stipulated in relevant BOT concession agreements, we recognized the relevant financial assets which are measured at amortized cost using an effective interest rate. The financial income represents the income generated from such financial assets.

Our gross profit margin for the project construction service has largely remained stable during the Track Record Period. For the years ended December 31, 2011, 2012 and 2013, the gross profit margin of our project construction service was 18.3%, 17.8% and 20.0%, respectively. The gross profit margin for our project construction service has been maintained at a relatively high level during the Track Record Period.

For the years ended December 31, 2011, 2012 and 2013, the gross profit margin for our project operation service was 48.5%, 45.8% and 42.6%, respectively. Our gross profit margin for the project operation service for 2013 decreased as compared to 2012. This is primarily because our projects in Pingyang, Yongjia, Rushan and Wuhan, pending receipt of relevant government approvals, were charging on-grid tariffs ranging from RMB0.56-0.594 per kWh (inclusive of VAT), below the national benchmark rate of RMB0.65 per kWh (inclusive of VAT), which had a negative effect on our gross profit margin. The scheduled overhaul of our Changzhou project also affected the gross profit margin for our project operation service for 2013.

For the years ended December 31, 2011, 2012 and 2013, the gross profit margin of our technical consulting service business was 74.7%, 76.5% and 68.1%, respectively. The change in gross profit margin of our technical consulting service was due to fluctuations in costs incurred at our single external service project.

As a result of the above, our overall gross profit margin was 30.1%, 25.0% and 29.4% for the years ended December 31, 2011, 2012 and 2013, respectively. During the Track Record Period, our overall gross profit margin remained at a relatively high level.

Other revenue

Other revenue primarily comprises bank interest income, government grants which were one-off incentive grants, value-added tax refund and other business income. The following table sets out our other revenue during the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
	(RMB'000)		
Bank interest income	1,704	1,409	1,813
Government grants	461	226	4,371
Value-added tax refund	16,556	4,751	17,755
Others	218	312	925
Total	18,939	6,698	24,864

For the years ended December 31, 2011, 2012 and 2013, our other revenue was RMB18.9 million, RMB6.7 million and RMB24.9 million, respectively. According to the "Notice on Value-added Tax Policies on Comprehensive Utilization of Resources and Other Products" promulgated by the State Administration of Taxation in 2008, we are entitled to a refund on value-added tax payable if our project company obtains the qualification. Such qualification needs to be reviewed every two years. In view of the uncertainty with respect to the approval of such qualification, we recognized the VAT refund when approved, thus resulting the fluctuation of value-added tax refund during the Track Record Period. Other business income primarily included other tax refund and slag handling.

Other net income

Other net income principally comprises the net loss or gain on disposal of vehicles and equipment, net gain on disposal of a subsidiary and foreign exchange gains.

The following table sets out our other net income during the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
	(RMB'000)		
Net (loss)/gain on disposal of vehicles and equipment	(4)	16	—
Net gain on disposal of a subsidiary	661	—	—
Exchange gain	1,069	—	4,844
Total	1,726	16	4,844

The net gain on disposal of a subsidiary as at December 31, 2011 primarily reflected the disposal of our entire 100% equity interest in Jiangmen Company to a fellow subsidiary of BSAM for cash consideration of RMB3,823,000. As the book value of net asset at disposal date was RMB3,162,000, we recognized a gain on disposal of RMB661,000.

Administrative expenses

Administrative expenses primarily comprise our labor costs for administrative personnel, taxes, leasing fees, entertainment expenses, intermediary services fees, travelling expenses, impairment loss on assets, office expenses, insurance expenses, depreciation and amortisation and other expenses in relation to the administration of our business. The following table sets out our administrative expenses during the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
	(RMB'000)		
Labor cost	11,093	15,102	28,696
Taxes	2,634	3,740	6,719
Operating lease charges	907	1,080	1,612
Entertainment expenses	1,718	1,775	1,653
Intermediary services fees	726	3,373	1,707
Listing expenses	—	—	3,783
Travelling expenses	2,284	2,778	2,139
Provision/(reversal) of impairment loss on trade and other receivables	7,480	1,608	(172)
Depreciation and amortisation	1,150	1,073	1,471
Office expenses	1,441	2,887	3,675
Insurance expenses	330	282	433
Others	1,336	3,014	4,625
	31,099	36,712	56,341

Other operating expenses

Other operating expenses primarily comprise loss on disposal of non-current assets, donations, fines and others. For the years ended December 31, 2011, 2012 and 2013, our other operating expenses were RMB276,000, RMB109,000 and RMB898,000, respectively.

Finance costs

Our finance costs primarily included interest on our bank and entrusted loans and other interest expenses (which are interest expenses on long-term trade payables), less interest capitalized. We capitalize interest on borrowings used to fund our BOT project construction. The following table sets out our finance costs during the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Interest on bank and entrusted loans	18,972	35,354	79,515
Other interest expenses	4,463	6,729	9,871
Less: interest capitalized into intangible assets	(1,811)	(5,468)	(15,096)
	21,624	36,615	74,290

During the year ended December 31, 2013, a greater amount of interest was capitalized as compared to previous periods primarily due to a greater amount of borrowings used to fund our projects.

Income tax expenses

The following table sets out our income tax expenses during the periods indicated:

	For the year ended December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Current tax			
Provision for PRC income tax for the year	16,783	17,885	23,696
Under-provision in respect of prior years	—	171	415
Refund of income tax under tax concession	—	(6,861)	—
	16,783	11,195	24,111
Deferred tax			
Origination and reversal of temporary differences	8,187	8,920	10,330
Income tax expenses	24,970	20,115	34,441

For the years ended December 31, 2011, 2012 and 2013, our income tax expenses were RMB25.0 million, RMB20.1 million and RMB34.4 million, respectively. For the years ended December 31, 2011, 2012 and 2013, our effective income tax rate was 24.8%, 12.1% and 18.6%, respectively. Changes in the effective income tax rate were attributed to the changes in PRC preferential tax treatment we received. According to the EIT Law of the PRC, the applicable enterprises income tax rate was 25% during the Track Record Period. However, some of our subsidiaries in PRC were entitled to preferential tax treatment. In particular, our subsidiary for the Haining project had been paying enterprise income tax at a tax rate of 25% until 2012. In 2012, the Haining Company received relevant approvals for preferential tax treatment including an exemption from EIT for the first three years from its commencement of operations and a 50% reduction for the three years thereafter. The local tax authority has fully refunded the enterprise income tax of RMB6,861,000 paid by our Haining Company for the years from 2009 to 2011.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Summary of our operating results

The following table sets out the financial information extracted from our consolidated income statement for the years ended December 31, 2013 and 2012.

	For the year ended December 31,	
	2012	2013
	(RMB'000)	
Turnover	932,126	975,185
Direct cost and operating expenses	(698,949)	(688,022)
Gross profit	233,177	287,163
Other revenue	6,698	24,864
Other net income	16	4,844
Administrative expenses	(36,712)	(56,341)
Other operating expenses	(109)	(898)
Profit from operations	203,070	259,632
Finance cost	(36,615)	(74,290)
Profit before taxation	166,455	185,342
Income tax expenses	(20,115)	(34,441)
Profit for the year	146,340	150,901
Other comprehensive income	14	(1,200)
Total comprehensive profit for the year	146,354	149,701

Turnover. Our total turnover increased by 4.6% from RMB932.1 million in 2012 to RMB975.2 million in 2013. The increase was primarily due to a significant increase in income generated from our project operation service. Turnover from our project construction service decreased by 7.5% from RMB773.0 million to RMB714.9 million. Such decrease was primarily attributable to the fact that we substantially completed construction at our Rushan, Taizhou and Wuhan projects in 2013. Turnover from our project operation service increased by 76.4% from RMB114.0 million to RMB201.1 million. Such increase was primarily attributable to the increase in waste treatment and on-grid electricity due to the fact that our projects in Pingyang, Yongjia, Taizhou, Rushan and Wuhan all commenced trial operation in 2013. Turnover from our technical consulting service in 2013 decreased as compared to 2012. Such decrease was primarily due to the recognition of more income as a result of the provision of construction management service to Tongcheng Incineration and Power Generation Company by us in 2012.

Direct costs and operating expenses. Our direct costs and operating expenses decreased by 1.6% from RMB698.9 million in 2012 to RMB688.0 million in 2013. Such decrease mainly reflected a decrease in costs of project construction. The direct costs and operating expenses of our project construction service decreased by 10.0% from RMB635.5 million in 2012 to RMB572.1 million in 2013, while the direct costs and operating expenses of our project operation service increased by 86.9% from RMB61.8 million to RMB115.4 million. Such increase was primarily attributable to the fact that our projects in Pingyang, Yongjia, Taizhou, Rushan and Wuhan all commenced trial operation in 2013, while our Changzhou project received a scheduled overhaul in 2013.

Gross profit. Our gross profit increased by 23.2% from RMB233.2 million in 2012 to RMB287.2 million, while our gross profit margin increased from 25.0% to 29.4% during the same period. There was a decrease in the gross profit margin of our project operation service from 45.8% to 42.6%, primarily due to the fact that our Changzhou project underwent a scheduled overhaul in 2013, and the relatively lower income generated from the Pingyang and Yongjia projects, which, pending government approvals, were charging an on-grid electricity tariff of RMB0.56 per kWh, below the national benchmark rate of RMB0.65 per kWh, which caused an increase in costs which exceeded the increase in income. The decrease in the gross profit margin of our project operation service was offset by the increase in the gross profit margin of our project construction service. Our gross profit margin has remained at a relatively high level during the Track Record Period.

Other revenue. Our other income increased by 271.2% from RMB6.7 million in 2012 to RMB24.9 million in 2013, primarily due to the one-off incentive granted by the government for our Yongjia project in 2013 and VAT refunds which were granted by and received from the government in 2013.

Other net income. Our other net income for 2013 was RMB4.8 million as compared to RMB16,000 for 2012, as a result of an one-off exchange gain related to our acquisition of Blue-ocean Environment.

Administrative expenses. Our administrative expenses increased by 53.5% from RMB36.7 million in 2012 to RMB56.3 million in 2013, primarily due to an increase in labor costs from RMB15.1 million to RMB28.7 million as our Pingyang, Yongjia, Taizhou, Rushan and Wuhan projects commenced trial operation.

Other operating expenses. Our other operating expenses in 2012 was RMB0.1 million as compared to RMB0.9 million in 2013.

Profit from operations. Given the foregoing, our profit from operations increased by 27.8% from RMB203.1 million in 2012 to RMB259.6 million in 2013.

Finance cost. Our financing cost increased by 102.9% from RMB36.6 million in 2012 to RMB74.3 million in 2013, primarily due to the increase in interest payments for our bank and entrusted loans from RMB35.4 million in 2012 to RMB79.5 million in 2013 as a result of an increase in our bank borrowings and entrusted loans, including our RMB210 million entrusted loan from BSAM.

Income tax expenses. Our income tax expenses increased by 71.2% from RMB20.1 million in 2012 to RMB34.4 million in 2013, primarily because of the increase in our profit before tax and the RMB6.9 million tax refund for our Haining Company in 2012 which reduced our income tax expenses for 2012. Our effective income tax rate for 2012 and 2013 was 12.1% and 18.6%, respectively.

Profit for the year. Given the foregoing, our profit for the year increased by 3.1% from RMB146.3 million in 2012 to RMB150.9 million in 2013. Our net profit margin in 2012 and 2013 was 15.7% and 15.5%, respectively.

Total comprehensive income for the year. Our total comprehensive income for the year increased by 2.3% from RMB146.4 million in 2012 to RMB149.7 million in 2013.

Year ended December 31, 2012 compared to year ended December 31, 2011

Overview of Operating Results

The following table sets forth our financial information extracted from the consolidated income statements of 2012 and 2011.

	For the year ended December 31,	
	2011	2012
	(RMB'000)	
Turnover	442,781	932,126
Direct costs and operating expenses	(309,700)	(698,949)
Gross profit	133,081	233,177
Other revenue	18,939	6,698
Other net income	1,726	16
Administrative expenses	(31,099)	(36,712)
Other operating expenses	(276)	(109)
Profit from operations	122,371	203,070
Finance costs	(21,624)	(36,615)
Profit before taxation	100,747	166,455
Income tax expenses	(24,970)	(20,115)
Profit for the year	75,777	146,340
Other comprehensive income	(7,717)	14
Total comprehensive income for the year	68,060	146,354

Turnover. Total turnover increased by 110.5% from RMB442.8 million in 2011 to RMB932.1 million in 2012. The increase was primarily due to the substantial increase in the turnover from our project construction service and project operation service. The turnover from the project construction service increased by 147.0% from RMB313.0 million in 2011 to RMB773.0 million in 2012, primarily as we had fewer projects under construction in 2011 while our projects in Rushan, Taizhou and Wuhan all commenced construction in late 2011 or 2012; the turnover from the project operation service increased by 10.4% from RMB103.3 million in 2011 to RMB114.0 million in 2012, mainly due to the receipt of electricity tariffs during test runs by our projects in Pingyang and Yongjia. In addition, pursuant to the inflation protection terms in the concession agreement, the waste treatment fee of our Haining project increased from RMB70 per ton to RMB75 per ton in July 2011, which in turn also contributed to the turnover growth in 2012. Turnover from the technical consulting service also increased from 2011 to 2012, mainly because more revenue was recognized in providing construction management services to Tongcheng Incineration and Power Generation Company in 2012.

Direct costs and operating expenses. Direct costs and operating expenses increased by 125.7% from RMB309.7 million in 2011 to RMB698.9 million in 2012. The increase mainly reflected our overall business expansion in the period. Direct costs and operating expenses of the project construction service increased by 148.6% from RMB255.6 million in 2011 to RMB635.5 million in 2012, while direct costs and operating expenses of the project operation service increased by 16.1% from RMB53.2 million in 2011 to RMB61.8 million in 2012.

Gross profit. Gross profit increased by 75.2% from RMB133.1 million in 2011 to RMB233.2 million in 2012. Gross profit margin decreased from 30.1% in 2011 to 25.0% in 2012, mainly due to a decrease in the gross profit margin of the project operation service from 48.5% in 2011 to 45.8% in 2012 as a result of increased costs in the project operation service outpacing growth in turnover. The increase in costs of the project operation service exceeded the increase in its income mainly because of increased labor costs as a result of an increase in wages in 2012. Gross profit margin for our project construction service remained stable.

Other revenue. Other revenue decreased by 64.6% from RMB18.9 million in 2011 to RMB6.7 million in 2012, mainly because the Changzhou Company did not obtain a VAT refund in 2012 as the re-certification of VAT exemption for the Changzhou project was pending.

Other net income. Other net income decreased by 99.1% from RMB1.7 million in 2011 to RMB16,000 in 2012, partly because we disposed of our 100% equity interest of Jiangmen Company to a fellow subsidiary of BSAM for a cash consideration of RMB3,823,000 in 2011. The carrying value of the net asset value as at the date of disposal was RMB3,162,000 and a gain upon disposal of RMB661,000 was recognized.

Administrative expenses. Administrative expenses increased by 18.0% from RMB31.1 million in 2011 to RMB36.7 million in 2012. The increase was mainly due to a RMB4.0 million increase in labor costs brought about by a wage increase in 2012 and the hiring of additional staff for the Pingyang and Yongjia projects. In addition, the relatively high administrative expenses in 2012 were due to our payment of service fees of RMB3.4 million to intermediaries for our re-organization and plan to conduct an initial public offering.

Other operating expenses. Other operating expenses decreased from RMB0.3 million in 2011 to RMB0.1 million in 2012.

Profit from operations. For the reasons discussed above, profit from operations increased by 65.9% from RMB122.4 million in 2011 to RMB203.1 million in 2012.

Finance costs. Finance costs increased by 69.3% from RMB21.6 million in 2011 to RMB36.6 million in 2012. The increase was mainly due to the increase in average balance of bank borrowings and entrusted loans, resulting in higher interest on bank and entrustment loans.

Income tax expenses. Income tax expenses decreased by 19.4% from RMB25.0 million in 2011 to RMB20.1 million in 2012, mainly due to the preferential tax treatment was granted to the Haining project in 2012 in the PRC. The effective income tax rates in 2011 and 2012 were 24.8% and 12.1%, respectively.

Profit for the year. For the discussed above, profit for the year increased by 93.1% from RMB75.8 million in 2011 to RMB146.3 million in 2012. Profit margins in 2011 and 2012 were 17.1% and 15.7%, respectively.

Total comprehensive income for the year. Total comprehensive income for the year increased by 115.0% from RMB68.1 million in 2011 to RMB146.4 million in 2012.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our business requires a large amount of working capital to purchase materials and equipment and to carry on construction, project operation and other project processes. Our primary source of cash is income from project operation. As our WTE projects do not generate cash income until they are operational, a project under construction will generate cash outflows due to payments for construction work without providing any cash inflow. Since we included these construction costs in the form of intangible assets and gross amounts due from customers for contract work, the relevant cash outflows appear as negative movements in our working capital. During the Track Record Period, due to a high volume of construction works, the negative movements in working capital have exceeded our cash inflow from operations, requiring us to supplement our operational cash flows with external borrowings.

During the Track Record Period, we met our working capital requirements primarily through operating income and borrowings. Aside from financing our operations with the proceeds from the Global Offering, we will continue to rely on our internal cash flow and external loans and borrowings. We also intend to adjust our financing policies and centralize cash management to reduce financing cost, shorten cash turnover period and optimize our use of working capital.

Cash Flow Data

The cash flow data set out in the table below is extracted from our consolidated statements of cash flows for each of the periods indicated:

	Year ended December 31,		
	2011	2012	2013
		(RMB'000)	
Adjusted profit before taxation[(1)]	146,801	227,699	298,484
Changes in working capital	(347,362)	(692,102)	(532,359)
PRC income tax paid	(16,310)	(10,659)	(21,745)
Net cash used in operating activities	(216,871)	(475,062)	(255,620)
Net cash generated from/ (used in) investing activities	4,434	(155,176)	(133,351)
Net cash generated from financing activities	190,566	570,758	706,749
Net (decrease)/increase in cash and cash equivalents	(21,871)	(59,480)	317,778
Cash and cash equivalents at the beginning of the year	269,589	244,674	185,206
Effect of the changes in foreign exchange rate	(3,044)	12	(817)
Cash and cash equivalents at the end of the year	244,674	185,206	502,167

(1) Adjusted for amortization and depreciation, impairment loss/reversal of loss on trade and other receivables, finance costs, interest income, net loss/gain on disposal of vehicles and equipment, net gain on disposal of a subsidiary and net foreign exchange gain.

Net cash used in operating activities

For the year ended December 31, 2013, our net cash used in operating activities amounted to RMB255.6 million. Our cash inflows before changes in working capital included our profit before taxation of RMB185.3 million, as adjusted by income statement items with non-operating cash effect of RMB113.1 million. Our cash inflows from operating activities were exceeded by negative changes in working capital, primarily arising from substantial expenditures on the construction works of our projects in 2013, which resulted in an increase in intangible assets of RMB408.8 million and an increase in gross amounts due from customers for contract work of RMB299.2 million for the year ended December 31, 2013.

For the year ended December 31, 2012, our net cash used in operating activities amounted to RMB475.1 million, primarily due to cash inflow from operating activities before movements in working capital of RMB227.7 million (reflecting profit before taxation after adjustments of certain items), exceeded by negative effects of movements in working capital of approximately RMB692.1 million and income tax paid of approximately RMB10.7 million. The negative effects of movements in working capital primarily reflected the increase in intangible assets of RMB419.9 million and increase in gross amounts due from customers for contract work of RMB340.4 million, which increases were primarily due to the completion of the construction works in our Rushan, Taizhou and Wuhan projects and the final stage of construction works for the Pingyang and Yongjia projects, partially offset by increase in trade and other payables of RMB96.5 million, also primarily due to completing substantial construction work in 2012.

For the year ended December 31, 2011, our net cash used in operating activities amounted to RMB216.9 million, primarily due to cash inflow from operating activities before movements in working capital of RMB146.8 million (reflecting profit before tax after adjustments of certain items), exceeded by negative effects of movements in working capital of approximately RMB347.4 million and income tax paid of approximately RMB16.3 million. The negative effects of movements in working capital primarily reflected the increase in intangible assets of RMB164.1 million, increase in the gross amounts due from customers for contract work of RMB143.9 million and increase in trade and other receivables of RMB78.9 million. The increase in intangible assets and the increase in gross amounts due from customers for contract work were primarily due to the completion of substantial volume of construction works for our Pingyang and Yongjia projects in 2011. The increase in trade and other receivables was primarily due to the substantial prepayments made to our contractors during the period.

Net cash generated from/used in investing activities

For the year ended December 31, 2013, our net cash used in investing activities amounted to RMB133.4 million, primarily comprising consideration of RMB123.4 million paid for acquisition of subsidiaries.

For the year ended December 31, 2012, our net cash used in investing activities amounted to RMB155.2 million, primarily comprising an increase in other receivables amounting to RMB150.0 million.

For the year ended December 31, 2011, our net cash generated from investing activities amounted to RMB4.4 million, primarily comprising the disposal of a subsidiary of proceeds amounting to RMB3.3 million.

Net cash generated from financing activities

For the year ended December 31, 2013, our net cash generated from financing activities amounted to RMB706.7 million, primarily consisting of proceeds from entrusted and bank loans of RMB1,308.2 million, partially offset by repayments of bank loans of RMB509.3 million and interest paid of RMB76.5 million.

For the year ended December 31, 2012, our net cash generated from financing activities amounted to RMB570.8 million, primarily consisting of proceeds from entrusted and bank loans of RMB646.0 million, partially offset by repayments of bank loans of RMB40.5 million and interest paid of RMB34.7 million.

For the year ended December 31, 2011, our net cash generated from financing activities amounted to RMB190.6 million, primarily consisting of proceeds from capital contribution of RMB253.4 million and proceeds from entrusted and bank loans of RMB89.7 million, partially offset by dividends paid to equity holders of RMB90.5 million and repayments of bank loans of RMB43.1 million.

CURRENT ASSETS AND LIABILITIES

The table below sets out our consolidated statement of current assets and current liabilities as of the dates indicated:

	As of December 31,			As of the Indebtedness Date
	2011	2012	2013	
	(RMB'000)			
Current Assets				
Inventories	2,151	2,709	6,021	5,838
Trade and other receivables	247,839	285,879	209,849	253,308
Gross amounts due from customers for contract work	7,284	7,916	9,628	10,764
Restricted deposits	33,917	19,000	21,000	21,000
Cash and cash equivalents	244,674	185,206	502,167	328,007
Total current assets	535,865	500,710	748,665	618,917
Current liabilities				
Loans and borrowings	27,500	286,567	410,023	387,447
Trade and other payables	81,033	142,577	209,703	161,642
Current taxation	5,400	5,936	8,302	10,889
Total current liabilities	113,933	435,080	628,028	559,978
Net current assets	421,932	65,630	120,637	58,939

Our net current assets represent the difference between total current assets and total current liabilities. We had net current assets of RMB421.9 million, RMB65.6 million and RMB120.6 million as at December 31, 2011, 2012 and 2013, respectively. The decrease in net current assets from December 31, 2011 to December 31, 2012 was primarily due to an increase in our loans and borrowings from RMB27.5 million to RMB286.6 million primarily because we had an entrustment loan of RMB210 million from BSAM to finance construction of our projects. Net current assets increased from December 31, 2012 to December 31, 2013 primarily due to increase in cash and cash equivalents from the long-term loans obtained from the ADB. We had net current assets of RMB58.9 million as at April 30, 2014 which decreased from December 31, 2013 mainly as a result of construction cost incurred for the Huizhou project's auxiliary facilities and landfill and our settling a portion of trade payables and loans and borrowings as they became due.

WORKING CAPITAL

Our business requires a large amount of working capital to purchase materials and equipment and to carry on construction, project operations and other project processes. For the years ended December 31, 2011, 2012 and 2013, we recorded cash outflow from operating activities of RMB216.9 million, RMB475.1 million and RMB255.6 million, respectively. Such cash outflow from operating activities was primarily because we completed substantial construction works during the Track Record Period, which resulted in the continuous increase of our intangible assets and gross amounts due from customers for contract work, as well as the significant balance of our trade receivables.

Due to the nature of our BOT business model, our receivables relating to BOT concession agreements fall into two main categories, namely (1) gross amounts due from customers for contract work and (2) trade and other receivables. Gross amounts due from customers for contract work represent the minimum annual waste processing fee guaranteed by relevant government authorities pursuant to our BOT arrangements, and are recognized in our financial statements during the project construction phase in line with the proportion of construction costs incurred. Subsequently, the guaranteed waste treatment fee is collected during the project operation phase, and the billable portion of the guaranteed waste treatment fee for a given period is transferred to trade receivables prior to collection. The finance income related to the billable portion of the guaranteed waste treatment fee for that period (representing imputed interest on gross amounts due from customers for contract work) is also reflected in trade receivables. Our trade receivables comprise all payments due for waste treatment fees and electricity tariffs due from our customers in a given period. During the Track Record Period, our trade receivables increased as a result of increased waste treatment volume and electricity sold on-grid at our WTE projects.

As of December 31, 2013, trade receivables aged within one month, which are in line with our credit period of 10 to 30 days, was RMB53.1 million, representing 77.3% of total trade receivables. As of the same date, we had trade receivables aged over six months of RMB7.8 million, representing 11.3% of total trade receivables. The trade receivables of RMB7.8 million aged over six months comprised RMB1.3 million of electricity tariffs, for which settlement has been delayed due to the customer's internal procedures, RMB3.6 million of waste treatment fees, which are recognized as receivables when we provided the service but which are settled with this particular customer on an annual basis, and RMB2.9 million in trade receivables relating to technical consulting services, which is expected to be settled by the customer when construction of the customer's waste incineration project is completed. Out of the trade receivables of RMB7.8 million aged over six months as of December 31, 2013, RMB3.6 million was subsequently settled as of April 30, 2014.

While our significant construction expenditures and relatively long trade receivable turnover days have an impact on our working capital, we have adopted or will adopt the following measures to ensure that we have sufficient financial resources to meet our working capital commitments going forward:

(i) we have maintained long-term business relationships with major financial institutions, including the Asian Development Bank, so as to ensure that we can obtain sufficient reserves of cash and adequate committed lines of funding to meet our liquidity requirements. As of December 31, 2013, we had RMB1,709.4 million outstanding loans and borrowings, of which RMB1,299.4 million are long term loans and borrowings, and our unutilized banking facilities amounted to RMB890.4 million. As of the April 30, 2014, we had RMB1,686.8 million outstanding loans and borrowings, of which RMB1,299.4 million are long term loans and borrowings, and our unutilized banking facilities amounted to RMB650.4 million;

(ii) with the commencement of operations of our five new WTE projects in 2013, our Directors expect that our turnover from project operation will continue to increase, both in absolute terms and as a proportion of total turnover, so as to generate sufficient operating cash inflow to meet our liquidity requirements;

(iii) we plan to use the majority of proceeds from the Global Offering to repay bank borrowings, which we believe will improve our financial condition and enable us to obtain new credit facilities and borrowings for projects under development and/or new projects as necessary. It is an industry practice for WTE companies undertaking BOT projects to incur significant expenditures when investing in new BOT projects and to receive returns on such investments after the projects commence operation. Our bank borrowings increased during the Track Record Period as we invested in a significant number of new projects; and

(iv) we intend to dedicate a portion of the net proceeds from the Global Offering and our cash and cash equivalents on hand toward meeting working capital requirements.

In view of the above, our Directors are of the view that, based on a detailed review of our Group's working capital forecast, we have necessary liquid funds to finance our working capital and capital expenditure requirements at present and for the next twelve months from the date of this prospectus.

CERTAIN SELECTED BALANCE SHEET ITEMS

Inventories

Inventories primarily comprise parts for our equipment. A majority of the equipment and parts we purchased for our project construction service are recognized as costs of construction and are not accounted for as inventory. The main source of raw material for our operation of WTE projects is municipal solid waste provided by local administrative authorities pursuant to our various BOT agreements. As we charge for the treatment of such waste, it is not necessary for us to incur any costs for the purchase of municipal solid waste. The table below summarizes our inventories as of the dates indicated:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Inventories	2,151	2,709	6,021

As of December 31, 2013, our inventory balance amounted to RMB6.0 million. Our inventory balance remained relatively stable from 2011 to 2012, and increased in 2013 primarily due to increased inventories for new projects which commenced trial operation in 2013 and purchases of tools and other materials in 2013 in preparation for the scheduled overhaul of our Haining project in 2014. We maintain the lowest inventory level required for our construction works through effective inventory management. The balances of our inventories account for a relatively small proportion of our current assets and the inventory turnover ratio is relatively high.

The following table sets forth the turnover days of our inventories for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
Turnover days of inventories[1]	2.5	1.4	3.2

(1) Turnover days of inventories is derived by dividing the ending balance of inventories for the relevant period by direct cost and operating expenses and multiplying by 365 days.

Our inventory turnover days decreased from 2.5 in 2011 to 1.4 in 2012 and increased to 3.2 in 2013. Our relatively short inventory turnover days are mainly due to the small quantity of our inventories as discussed above.

Gross amounts due from customers for contract work

We have entered into BOT arrangements with local government authorities in the PRC. According to the BOT arrangements, we design and construct WTE plants which we then typically operate for a concession period of 23 to 30 years. We are also guaranteed a minimum annual payment by the local government for certain service concession arrangements. During project construction, these future guaranteed payments are gradually booked as gross amounts due from customers for contract works in line with the proportion of construction costs incurred. The following table sets forth the gross amounts due from customers for contract work as of the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Contract cost incurred plus recognized profit less recognized losses	451,439	799,108	1,106,199
Less: progress billings	(3,227)	(10,511)	(18,427)
Net contract work	448,212	788,597	1,087,772
Representing:			
Gross amounts due from customers for contract work	448,212	788,597	1,087,772
Non-current	440,928	780,681	1,078,144
Current	7,284	7,916	9,628

For the years ended December 31, 2011, 2012 and 2013, gross amounts due from customers for contract work mainly represented the portion of turnover derived from construction under BOT arrangements, bearing interest at rates ranging from 6.61% to 7.71% per annum for the years ended December 31, 2011, 2012 and 2013. These amounts, which have yet to fall due under the relevant BOT arrangement, will be settled by the revenue gained during the operation period of that BOT arrangement.

BOT arrangements are not subject to renewal. In the event that we fail to construct or operate the WTE projects or commit a material breach of the terms under the relevant agreement, the local government may terminate the agreement. In the event that the local government fails to settle the payment in accordance with the agreement or commits a material breach of the terms under the agreement, we may terminate the agreement.

Trade and other receivables

Trade receivables include payments due for waste treatment fees and electricity tariffs from local governments and power grid companies at our operational WTE facilities. Other receivables mainly include prepayments for construction works and other receivables, deposits and payments. The following table sets forth our trade and other receivables as at the indicated balance sheet dates:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Trade receivables:	16,479	60,614	68,896
Less: Provision for doubtful debts	(82)	(477)	(301)
	16,397	60,137	68,595
Prepayments for construction works	202,927	174,527	78,013
Other receivables, deposit and prepayments	28,515	51,215	63,241
Trade and other receivables, net	247,839	285,879	209,849
Other receivables (non-current assets)	4,299	157,571	167,357

As at December 31, 2011, 2012 and 2013, our gross trade receivables amounted to RMB16.5 million, RMB60.6 million and RMB68.9 million. The increase in trade receivables during the Track Record Period was mainly a result of increased waste treatment volume and electricity sold on-grid at our WTE facilities. In particular, our projects in Pingyang and Yongjia commenced trial operations in 2013, doubling our number of operating plants.

As at December 31, 2011, 2012 and 2013, prepayments for construction works amounted to RMB202.9 million, RMB174.5 million and RMB78.0 million, respectively. The decrease in prepayments for construction works over the Track Record Period was primarily due to recognizing significant amounts of prepayments as costs of construction as a result of the physical completion of construction at two of our projects in 2012 and one of our projects in 2013. As of December 31, 2011, 2012 and 2013 our other receivables, deposit and prepayments mainly included retention receivables for construction work contract in progress of RMB13.0 million, RMB25.0 million and RMB30.0 million, respectively, and the balance of RMB4.4 million, RMB19.6 million and RMB33.6 million, respectively, which bear an interest of 6.61% to 7.71% per annum, representing finance income receivable under the BOT arrangements. The respective amounts of retention receivables and finance income receivables are not overdue and will be funded by the revenue generated by BOT arrangements in the operating period. It is expected that the remaining trade and other receivables will be received or recognized within one year.

As of December 31, 2013 and 2012, balances of other receivables (non-current assets) included a receivable of RMB150.0 million due from an unrelated party which reflects the amount we paid to the Huizhou Bureau. We are undertaking the construction of auxiliary facilities for the Huizhou project on a BT basis and the Huizhou Bureau is our BT agreement counterparty. We paid the RMB150.0 million for the Huizhou Bureau's acquisition of land use rights for the BT project pursuant to the BT agreement and the arrangement with the Huizhou Bureau. The Huizhou Bureau is expected to repay the amount, together with interest, to us in periodic installments over a period of eight years. We have recorded the RMB150 million and its related interest as a financial asset under long-term receivable due from an unrelated third party and such amount bears an effective interest rate of 0.74%. The BT agreement and this transaction relates to the construction of auxiliary facilities for the Huizhou project for which the return is minimal. The majority of our expected return from the Huizhou project will derive from the BOT contract for the Huizhou WTE project. Since the amount will be repaid by the local government authority, our Directors believe the associated credit risk is relatively low. As advised by our PRC legal advisors, Tian Yuan Law Firm, the above mentioned BT agreement providing for this transaction is valid, enforceable and in compliance with relevant PRC laws and regulations.

The following table sets forth our trade receivables by customer type as at the indicated balance sheet dates:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Local government authorities	7,925	11,277	23,065
Power grid companies	7,382	41,657	39,494
Corporates	1,090	7,203	6,036
Total	16,397	60,137	68,595

As at the end of each reporting period, aging analysis of trade receivables based on invoice date and after deducting provision for doubtful debts was as follows:

	As of December 31,		
	2011	2012	2013
	(RMB'000)		
Within one month	9,346	49,901	53,057
One to three months	3,580	2,894	7,045
Three to six months	3,471	7,342	718
Over six months	—	—	7,775
	16,397	60,137	68,595

The following table presents an aging analysis of trade receivables that are neither individually nor collectively considered to be impaired at the end of each reporting period.

	At of December 31,		
	2011	2012	2013
		(RMB'000)	
Neither past due nor impaired	9,174	45,374	49,859
More than one month but within three months past due	2,639	—	6,777
More than three months but within six months past due	3,030	5,703	997
More than six months but within one year past due	—	—	4,926
Amounts past due	5,669	5,703	12,700
	14,843	51,077	62,559

For the settlement of trade receivables for services we provided, we normally extend our customers a 10 to 30 day credit period for payment from the date of an invoice. For local governments and power grid companies, according to our BOT agreements, we typically grant a credit period ranging from 10 to 30 days; however, in practice, for our new BOT projects, due to the customer's internal administrative procedures, we generally receive payment from the local governments and power grid companies in 60 to 120 days. The majority of our trade receivables as of December 31, 2013 aged over one month was mainly due to the increase in receivables from local power grid companies for our projects and a relatively long overdue receivable from a customer whose internal payment approval procedures were, to our understanding, relatively slow. We do not hold any collateral as security.

As of December 31, 2011, 2012 and 2013, nil, nil and RMB7.8 million of our trade receivables were aged more than six months. The trade receivables of RMB7.8 million aged more than six months as of December 31, 2013 comprised RMB1.3 million in electricity tariffs, for which settlement has been delayed due to the customer's internal procedures, RMB3.6 million in waste treatment fees which were settled by the relevant customer on an annual basis, and RMB2.9 million in trade receivables relating to technical consulting services, which will be settled by the customer as construction is completed on the customer's waste incineration project.

During the Track Record Period, our trade receivables were generally collected within one year. We continually enhance trade receivables management in order to reduce impairment risk. Additionally, after fully considering the nature of trade receivables and their collectability, we have made provisions for the impairment of certain trade receivables in order to ensure the quality of our assets. As at December 31, 2011, 2012 and 2013, our provisions for the impairment of trade receivables were RMB82,000, RMB477,000 and RMB301,000, respectively, representing 0.5%, 0.8% and 0.4% of our trade receivables, respectively.

The following table set forth our turnover days of trade receivables by customer type for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
Local government authorities[(1)]	103	178	210
Power grid companies[(1)]	38	185	93
Corporates[(1)]	96	321	421
Total[(1)]	58.0	192.5	124.5

(1) Turnover days of trade receivables is derived by dividing the ending balance of trade receivables for the relevant period by turnover from our project operation service and multiplying by 365 days.

Our turnover days of trade receivables increased from 58.0 days as at December 31, 2011 to 192.5 days as at December 31, 2012. The increase in trade receivables turnover days from 2011 to 2012 was mainly due to the delays in the PRC government's specific implementation of a preferential policy relating to on-grid tariff adjustments for WTE projects during 2012. The preferential policy was announced in 2012 and when we expected certain of our project companies to benefit from such tariff adjustments, we recognized revenue on this basis. However, due to delays in the specific implementation of the policy, we did not receive the payments until 2013. Longer internal payment approval processes undertaken by local government authorities and power-grid companies for new projects also contributed to the increase in trade receivables turnover days in 2012. Trade receivables turnover days decreased in 2013 primarily due to increased turnover from our project operation service, which outweighed the increase in our trade receivables balance.

Our trade receivables turnover days in respect of local government authorities were 103 days, 178 days and 210 days for the years ended December 31, 2011, 2012 and 2013, respectively, whereas as our trade receivables turnover days in respect of power grid companies were 38 days, 185 days and 93 days, respectively, and our trade receivables turnover days in respect of corporates were 96 days, 321 days and 421 days, respectively, for the same periods. The increase in turnover days in respect of government authorities from 2011 to 2012 was primarily a result of decreased turnover from waste treatment fees due to sale of the Jiangmen Company in 2011 combined with a higher balance of trade receivables for waste treatment fees at our Changzhou project, and the increase in turnover days from 2012 to 2013 was mainly due to a higher balance of trade receivables for waste treatment fees as our projects in Pingyang, Yongjia, Rushan, Taizhou and Wuhan entered trial operation, which new projects required longer internal payment approval processes of our customers. The increase in turnover days in respect of power grid companies from 2011 to 2012 was mainly a result of the delays in the PRC government's specific implementation of the preferential policy discussed above, while the decrease in turnover days from 2012 to 2013 was mainly due to a significant increase in turnover from electricity tariffs as our projects in Pingyang, Yongjia, Rushan, Taizhou and Wuhan entered trial operation, combined with a slight decrease in the balance of our trade receivables for electricity tariffs. The increase in turnover days in respect of corporates from 2011 to 2012 was primarily the result of a large outstanding balance of receivables due from Tongcheng Incineration and Power Generation Company booked in 2012, which further increased from 2012 to 2013, as we recognize consulting service revenue when the services are provided but do not receive payment until the achievement of certain milestones as set out in the relevant contract. The trade receivables turnover days were longer than our average credit period of 30 days because, to our understanding, the local government authorities and power grid companies may take longer to settle their trade receivables for BOT projects due to their internal approval processes. In addition, we allow certain customers to settle their trade receivables after the relevant due date, taking into account the payment track record of such customers, whether we would like to cultivate and maintain a long-term relationships with such customers and whether extending the credit period would have an adverse financial impact on us. For example, our high turnover days for corporates are primarily a result of our payment arrangements with the purchasers of steam and hot water from our Changzhou facility, for whom we allow annual settlement. Although payments for our new operating projects were occasionally delayed due to the long internal approval processes of the local government authorities or power-grid companies, payments are typically made in due course. As of December 31, 2013, trade receivables due within one month, which are in line with our credit period of 10 to 30 days, was RMB53.1 million, representing 77.3% of total trade receivables. As of December 31, 2011, 2012 and 2013, nil, nil and RMB7.8 million of our trade receivables were more than six months overdue. Of the RMB7.8 million trade receivables which were aged more than six months as of December 31, 2013, RMB3.6 million was subsequently settled as of April 30, 2014.

Although we believe that our trade receivables levels and turnover days during the Track Record Period are consistent with industry norms, we plan to actively manage our trade receivable levels and turnover days to improve our liquidity profile going forward. We intend to enhance our analysis of customer creditworthiness by assessing each of our customer's payment history, financial profile and business operations. We will also strengthen our understanding of our customers' internal payment procedures and actively provide them with periodic reminders of any upcoming payments. As of April 30, 2014, approximately RMB56.7 million of the balance of trade receivables of RMB68.6 million as of December 31, 2013 had been subsequently settled.

Trade and other payables

The following table sets forth our trade and other payables as at the indicated balance sheet date:

	As of December 31,		
	2011	**2012**	**2013**
		(RMB'000)	
Trade payables	125,393	218,288	327,849
Other payables and accruals	37,704	48,648	50,072
	163,097	266,936	377,921

Our trade payables mainly comprise amounts due to unrelated suppliers which are unsecured, bear an interest rate of 5.94% to 7.05% per annum and shall be paid by instalments throughout the concession period of the relevant BOT arrangement. As at December 31, 2011, 2012 and 2013, our trade payables amounted to RMB125.4 million, RMB218.3 million and RMB327.8 million, respectively. The increase in trade payables over the Track Record Period was primarily the result of steady construction progress at our Pingyang, Yongjia, Rushan, Taizhou and Wuhan projects, for which our trade payables increased in line with construction work completed.

Other payables and accruals include taxes payable (other than income tax), staff payables, and others. As at December 31, 2011, 2012 and 2013, our other payables and accruals amounted to RMB37.7 million, RMB48.6 million and RMB50.1 million. The increase in other payables and accruals from December 31, 2011 to December 31, 2012 was primarily due to increases in other tax payable. Other payables and accruals remained relatively unchanged from December 31, 2012 to December 31, 2013.

The following table sets forth an aging analysis of our trade payables as at the dates indicated:

	As of December 31,		
	2011	2012	2013
		(RMB'000)	
Due within one month or on demand	30,008	71,806	145,095
Due after one month but within three months	532	1,064	1,207
Due after three months but within six months	4,327	8,842	8,071
Due after six months but within nine months	4,454	3,875	2,983
Due after nine months but within 12 months	4,008	8,342	2,275
Due after 12 months	82,064	124,359	168,218
Total	125,393	218,288	327,849

Our trade payables due within one month or on demand increased over the Track Record Period primarily due to completion of construction on our projects. In particular, we substantially completed construction on our Pingyang and Yongjia projects in 2012, and the Rushan, Taizhou and Wuhan projects in 2013.

As at December 31, 2013, our trade and other payables which aged over one year amounted to RMB168.2 million, a substantial portion of which are related to payables for our waste water treatment. The outstanding payables are expected to be settled during the BOT concession period of the relevant projects. Our Directors confirm that we had no material defaults in payment of trade and other payables during the Track Record Period.

The following table sets forth the turnover days of our trade payables for the periods indicated:

	For the year ended December 31,		
	2011	2012	2013
Turnover days of trade payables(1)	147.8	114.0	173.9

(1) Turnover days of trade payables is derived by dividing the ending balance of trade payables for the relevant period by direct costs and operating expenses and multiplying by 365 days.

The decrease in turnover days of trade payables from 2011 to 2012 was primarily due to the increase in direct costs and operating expenses for our projects operation business significantly exceeding the corresponding increase in trade payables. This excess was the result of multiple projects being under construction in 2012, leading to relatively higher direct costs and operating expenses. The increase in turnover days of trade payables from 2012 to 2013 was primarily due to an increase in trade payables as we substantially completed construction on our Rushan, Taizhou and Wuhan projects in 2013 and such trade payables were pending settlement as we inspected the work performed by third party contractors for compliance with technical specifications.

INDEBTEDNESS

Loans and borrowings

The following table sets forth our outstanding loans and borrowings as of the dates indicated:

	As of December 31,			As of the Indebtedness Date
	2011	2012	2013	
	(RMB'000)			
Current loans and borrowings	27,500	286,567	410,023	387,447
Non-current loans and borrowings	277,650	624,041	1,299,425	1,299,397
Total	305,150	910,608	1,709,448	1,686,844

Our long-term borrowing are at various rates linked to the long-term lending rate published by the PBOC. The benchmark one-year bank lending rate published by the PBOC as of December 31, 2011, 2012 and 2013, was 6.56%, 6.00% and 6.00%, respectively. As at December 31, 2011, 2012 and 2013, the balances of our interest-bearing borrowings were RMB305.2 million, RMB910.6 million and RMB1,709.4 million respectively, while the interest rates in such periods ranged from 5.94% to 7.05%, 5.6% to 7.75% and 5.18% to 7.21% respectively.

As at the April 30, 2014, the balance of our interest-bearing borrowings was RMB1,686.8 million.

Our loans and borrowings as at the dates indicated were repayable within a period of:

	As of December 31,			As of the Indebtedness Date
	2011	2012	2013	
	(RMB'000)			
Within one year or on demand	27,500	286,567	410,023	387,447
After one year but within two years	47,123	114,823	348,049	349,765
After two years but within five years	161,736	342,428	446,315	480,545
After five years	68,791	166,790	505,061	469,087
After one year	277,650	624,041	1,299,425	1,299,397
Total	305,150	910,608	1,709,448	1,686,844

As of the April 30, 2014, we had RMB1,686.8 million outstanding loans and borrowings, of which RMB1,299.4 million were long term loans and borrowings, and our unutilized banking facilities amounted to RMB650.4 million, which includes unutilized loan commitment of approximately RMB418.0 million under the ADB Loan facility. The following table sets forth the unutilized balances of our banking facilities along with their specified purposes as of the April 30, 2014:

Unutilized Amount	Purpose as stated in the respective loan agreement
RMB80.0 million	Any agreed usage as specified at drawdown
RMB70.0 million	General working capital
RMB23.3 million	Construction of WTE plant for the Wuhan project
RMB9.5 million	Construction of WTE plant for the Rushan project
RMB4.8 million	Construction of WTE plant for the Taizhou project and repayment of shareholder loans
RMB4.8 million	Construction of WTE plant for the Pingyang project and repayment of shareholder loans
RMB418.0 million (ADB Loan facility)	Support multiple project companies
RMB40.0 million	Construction of landfill site of municipal solid waste for the Huizhou project

Total: RMB650.4 million

In addition, we plan to apply the majority of proceeds from the Global Offering to repay outstanding debt. For these reasons, we had during the Track Record Period, and our Directors believe that we have going forward, sufficient headroom to expand our business and obtain new financing as needed.

During the Track Record Period, we obtained 14 credit facilities from independent banks, of which eight facilities were obtained by our individual project companies and six facilities were obtained by our Company. Credit facilities obtained by our project companies are generally used for construction of the relevant BOT project. Credit facilities obtained by our Company are generally used for working capital and for investment in project construction. The following table sets forth the breakdown of the credit facilities that we obtained during the Track Record Period:

Recipient	Amount of Facilities
Changzhou Company	RMB100.0 million and RMB57.6 million
Haining Company	RMB160.0 million
Pingyang Company	RMB140.0 million
Rushan Company	RMB115.9 million
Taizhou Company	RMB240.0 million
Wuhan Company	RMB295.0 million
Yongjia Company	RMB150.0 million
Our Company	RMB623.0 million (RMB equivalent of US$100.0 million)[(1)], RMB300.0 million, RMB210.0 million, RMB150.0 million, RMB100.0 million and RMB15.0 million
	Total: RMB2,656.5 million

(1) ADB Loan facility

Our Directors confirm that there has been no other material adverse change in indebtedness since December 31, 2013, and we had no material defaults in payment of bank borrowings during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, except as disclosed above, we did not have any outstanding loan capital issued or agrees to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Covenants

On April 12, 2013, we entered into a credit facility agreement with the ADB. The agreement imposes certain restrictions on our future financing activities and we must maintain certain financial ratios as described below, calculated as of June 30 and December 31 for any given year during which funds are drawn down under the credit facility.

- For each project company funded by the ADB Loan facility: (i) the debt to equity ratio must not exceed 70:30; (ii) the ratio of net debt to total assets must not exceed 0.70:1; (iii) the ratio of EBITDA to interest expense for the preceding twelve month period must not be less than 2:1 after one year following commencement of operations; and (iv) ratio of EBITDA to debt service for the preceding twelve month period is not less than 1:1 within the first two years following commencement of commercial operations, and not less than 1.2:1 thereafter; and

- For our Company: (i) the ratio of consolidated net debt to consolidated equity must not exceed 70:30; (ii) the ratio of consolidated net debt to consolidated total assets must not exceed 0.70:1; (iii) the ratio of consolidated EBITDA to consolidated interest expense for the preceding twelve months must not be less than 2:1; and (iv) the ratio of consolidated EBITDA to consolidated debt service for the preceding twelve months must not be less than 1.2:1.

As of December 31, 2013, our Company was in compliance with the financial covenants under the ADB Loan facility, with (i) a ratio of consolidated net debt(2) to consolidated equity of 99.7%, (ii) a ratio of consolidated net debt to consolidated total assets of 36.0%, (iii) a ratio of consolidated EBITDA(1) to consolidated interest expense for the year ended December 31, 2013 of 4.4, and (iv) a ratio of consolidated EBITDA(1) to consolidated debt service(3) for the year ended December 31, 2013 of 1.7.

Other than the ADB credit facility agreement, the majority of our financing agreements do not contain quantitative financial covenants materially limiting our ability to draw down under existing credit facilities or acquire additional funding. Our Directors confirm that we have complied during the Track Record Period, and will continue to comply, with all financial covenants to which we are subject.

CONSTRUCTION AND OTHER CAPITAL EXPENDITURE

Historical BOT and other capital expenditure

Our BOT and other capital expenditure is mainly used for construction, facility expansion, technological upgrades and equipment purchases. For the years ended December 31, 2011, 2012 and 2013, our BOT and other capital expenditure were RMB257.2 million, RMB638.2 million and RMB575.6 million, respectively, of which RMB255.6 million, RMB635.5 million and RMB572.1 million, respectively, were attributable to construction for BOT and BT projects.

Planned BOT/BT and other capital expenditures

Based on internal forecasts, we estimate that our BOT/BT and other capital expenditures for the two years ended December 31, 2014 and 2015 will be RMB702.3 million and RMB694.5 million, respectively, of which RMB700.3 million and RMB692.5 million, respectively, are expected to be spent on BOT project construction, and RMB2.0 million and RMB2.0 million, respectively, are expected to be spent on vehicles, equipment and others. We plan to fund our future expenditures with our internal resources and bank borrowings. Funding for a new project typically includes 70% debt and 30% of our internal resources, which are mainly generated from sales of electricity or waste treatment fees. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

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(1) We define EBITDA as profit before taxation plus interest on bank and entrusted loans recognized in the consolidated statement of comprehensive income, depreciation and amortization of intangible assets using the relevant data reported in our financial information prepared under IFRS. Our use of EBITDA, calculated as presented above, may not be comparable to similarly titled measures used by other companies. EBITDA should not be considered in isolation or as a substitute for analysis of our results as reported under IFRS.

(2) Net debt is determined by total loans and borrowings minus the cash and cash equivalents as of December 31, 2013.

(3) Debt service is determined by repayment of long-term loans within the year 2013 plus total interests of loans and borrowings incurred for 2013.

Our actual capital expenditures may differ from the amounts set out above due to various factors, including our future cash flows, results of operations and financial condition, changes in the PRC and the world economy, the availability of financing on terms acceptable to us, technical or other problems in obtaining or installing equipment, changes in the regulatory environment in the PRC and other factors. We may also pursue expansion through internal development, acquisitions of existing operations, investments in other businesses, or joint ventures with third parties, which may cause our capital expenditures to increase.

CONTRACTUAL COMMITMENTS

Purchase Commitments

Purchase commitments for construction contracts which are not provided for as at the dates indicated are as follows:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(RMB'000)			
Contracted but not provided for	218,356	443,900	132,528	219,180

As at December 31, 2011, 2012 and 2013, our purchase commitments amounted to RMB218.4 million, RMB443.9 million and RMB132.5 million, respectively. The increase in purchase commitments from December 31, 2011 to December 31, 2012 was primarily due to commencement of construction for the Wuhan project in November 2011 and for the Rushan and Taizhou projects in March 2012 and May 2012, respectively. The decrease in purchase commitments between December 31, 2012 and December 31, 2013 was primarily due to the substantial completion of construction at multiple projects in 2013. As of March 31, 2014, our purchase commitments amounted to RMB219.2 million. We plan to finance our purchase commitments by utilizing bank borrowings and cash generated from operation activities.

Operating lease commitments

We lease various properties under non-cancelable operating lease agreements. The leases last for an initial term of one to two years and we may negotiate for renewals. No contingent term is provided in any lease. The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	As of December 31,			As of March 31,
	2011	2012	2013	2014
	(RMB'000)			
Within one year	358	362	430	—
After one year but within five years	—	5	—	—
Total	358	367	430	—

Contingencies

Our Company has made financial guarantees for the banking facilities granted to several of our subsidiaries. Our Directors consider it unlikely that a claim will be made against our Company arising from such guarantees. As of December 31, 2011, 2012 and 2013, the maximum liability for such guarantees was the facilities drawn down by our subsidiaries amounting to approximately RMB127.7 million, RMB545.6 million and RMB881.6 million, respectively. As of March 31, 2014, the maximum liability for such guarantees was the facilities drawn down by our subsidiaries amounting to RMB880.3 million.

Our management does not anticipate that any material liabilities will arise from the contingent liabilities other than the above provisions.

Off-balance Sheet Arrangements

As at December 31, 2013, being the date on which the latest consolidated financial information was made up as set forth in the independent Accountants' Report in Appendix I of this prospectus, we did not have any material off-balance sheet arrangements other than the financial guarantee, contingent liabilities and commitments as disclosed above. As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements other than as disclosed above.

SUMMARY OF FINANCIAL RATIOS

	As of/For the year ended December 31,		
	2011	2012	2013
Gearing ratio (%)(1)	29.1	76.1	141.1
Net debt to equity ratio (%)(2)	5.8	60.6	99.7
Return on total assets (%)(3)	4.9	6.1	4.5
Return on equity (%)(4)	7.2	12.2	12.5
Current ratio(5)	4.7	1.2	1.2
Quick ratio(6)	4.7	1.1	1.2

(1) Gearing ratio is calculated based on total debt (loans and borrowings) divided by total equity at the end of the respective year.

(2) Net debt to equity ratio is calculated based on net debt (loans and borrowings less cash and cash equivalent) divided by total equity at the end of the respective year.

(3) Return on total assets is calculated based on the profit for the year divided by total assets at the end of the respective year.

(4) Return on equity is calculated based on the profit for the year divided by the total equity at the end of each year.

(5) Current ratio is calculated by dividing current assets by current liabilities.

(6) Quick ratio is calculated by dividing current assets less inventories by current liabilities.

Gearing Ratio

Our gearing ratio, calculated based on total debt divided by total equity, increased from 29.1% as at December 31, 2011 to 76.1% as at December 31, 2012 and further increased to 141.1% as at December 31, 2013. The increase was primarily attributable to an increase in total debt drawn down to finance construction of our BOT projects. The scale of our business expanded at a relatively fast pace during the Track Record Period, resulting in a relatively rapid growth in total debt.

Net Debt to Equity Ratio

Our net debt to equity ratio, calculated based on net debt divided by total equity, increased from 5.8% as at December 31, 2011 to 60.6% as at December 31, 2012 and further increased to 99.7% as at December 31, 2013. The reason for such increase was the same as that for the increase in gearing ratio increase. The loans we obtain are typically invested immediately in our new projects.

Return on Total Assets

Our return on total assets remained relatively stable during the Track Record Period. Given the nature of our BOT model, a gradual return is expected on our investment after a number of years.

Return on Equity

Our return on equity as at December 31, 2011, 2012 and 2013 was 7.2%, 12.2% and 12.5%, respectively, the increase from 2011 to 2012 was primarily attributable to an increase in our profit outpacing the increase in total equity.

Current Ratio

Our current ratio decreased from 4.7 as at December 31, 2011 to 1.2 as at December 31, 2012 and remained unchanged at 1.2 as at December 31, 2013. Such decrease was primarily attributable to a gradual increase of our loans during the Track Record Period. In addition, given the nature of our BOT model, part of our turnover generated from BOT projects was stated in our long-term assets as intangible assets, while part of our expenses were stated in our current liability as short-term debt, resulting in a gradual decrease in our current ratio in line with the expansion of our business.

Quick Ratio

Our quick ratio decreased from 4.7 as at December 31, 2011 to 1.1 as at December 31, 2012, and remained relatively unchanged at 1.2 as at December 31, 2013. Such decrease was due to our relatively small inventory scale and our quick ratio decreased largely in line with our current ratio.

FINANCIAL RISK MANAGEMENT

We face a variety of financial risks in the ordinary course of business, including market risk (such as interest rate risk and foreign exchange risk), credit risk and liquidity risk. In considering the importance of such exposure, we identify and evaluate risks at group and individual subsidiary level, conduct periodic analysis and deliver the results of our analysis to the Group's entities as appropriate. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance.

Market Risks

We are exposed to various market risks, including interest rate risk and foreign exchange risk arising from the ordinary course of business.

Interest Rate Risks

Our interest rate risk mainly arises from interest-bearing bank deposit, restricted deposit, other receivables, gross amounts due from customers for contract work, trade payables and loans and borrowings. Floating rate borrowings and fixed rate borrowings expose us to cash flow interest rate risk and fair value interest rate risk, respectively.

The following table details the interest rate profile of our net borrowings, being interest-bearing trade payables and loans and borrowings less other receivables, restricted deposit, bank deposit and gross amounts due from customers for contract work, at the end of the indicated report periods:

	As at December 31,					
	2011		2012		2013	
	Effective interest rate	Amount	Effective interest rate	Amount	Effective interest rate	Amount
		(RMB'000)		(RMB'000)		(RMB'000)
Net fixed rate receivables						
Loans and borrowings	—	—	—	—	5.60%-7.20%	495,000
Trade payables	5.94%-7.05%	83,693	5.94%-7.05%	128,344	5.94%-7.05%	173,537
Less: Deposits with banks	3.50%	(7,750)	3.00%	(10,000)	—	—
Restricted deposits	3.33%-3.50%	(30,000)	3.00%	(15,000)	3.00%	(15,000)
Gross amounts due from customers from contract work	6.61%-7.71%	(448,212)	6.61%-7.71%	(788,597)	1.50%-7.71%	(1,087,772)
Other receivables	6.61%-7.71%	(4,414)	0.74%-7.71%	(169,918)	0.74%-7.71%	(185,690)
		(406,683)		(855,171)		(619,925)
Net variable rate borrowings						
Loans and borrowings	5.94%-7.05%	305,150	5.60%-7.75%	910,608	5.18%-7.21%	1,214,448
Less: Deposits with banks	0.36%-0.50%	(236,759)	0.35%-0.50%	(175,150)	0.35%-0.39%	(502,124)
Restricted deposits	0.36%-0.50%	(3,917)	0.35%-0.50%	(4,000)	0.39%	(6,000)
		64,474		731,458		706,324
Total net (deposits)/ borrowings		(342,209)		(123,713)		86,399

As at December 31, 2011, 2012 and 2013, it is estimated that an upward shift of every 100 basis-point in the interest rates for our borrowings, with all other variables being held constant, would decrease our profit after tax and retained profits by approximately RMB491,000, RMB5.9 million and RMB5.5 million respectively. Other components of equity would not have been affected by the changes in interest rates.

The sensitivity analysis above indicates the annualized impact on our interest expense or income that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose us to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as we do not hold any fixed rate instruments which are measured at fair value. The analysis has been performed on the same basis throughout the relevant periods.

Foreign Exchange Risk

As the denominated currency of substantially all of our transactions is the same as our functional currency, our exposure to foreign exchange rate risk is minimal. As all our operations are located in the PRC, our transactions are denominated in Renminbi. Our foreign exchange risk is not significant as our revenue denominated in Renminbi is hedged against with cost.

Credit Risk

Our credit risk mainly arises from trade and other receivables. The management has established credit policies to monitor our credit risk on an ongoing basis.

Our trade receivables represent receivables derived from the gains of the operations and services under WTE projects, which shall be settled monthly. In addition, we have gross amounts due from customers for contract work and other receivables in relation to our BOT and BT arrangements. We do not require any collateral from our customers.

As at December 31, 2011, 2012 and 2013, our trade and other receivables and gross amounts due from customers for contract work were RMB700.4 million, RMB1,232.0 million and RMB1,464.1 million, respectively, among which, RMB168.2 million, RMB127.5 million and RMB238.0 million are payable by our largest customer and RMB329.4 million, RMB508.5 million and RMB574.7 million in aggregate are payable by our five largest customers. Our maximum exposure to credit risk is the carrying amount of each of the financial assets as stated in the consolidated statement of financial position. Because most of our customers are either local government authorities or state-owned power grid companies in the PRC, we are of the view that credit risk is not significant.

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to the approval of the Company's management and the board. The Group's policy is to regularly monitor its demand of cash flow, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to cope with its liquidity risk in the short and long term.

The following table set forth the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on current rates at the end of each reporting period) and the earliest date we may be required to pay:

	Within one year or repayable on demand	One to two years	Two to five years	Over five years	Total undiscounted cash flow	Carrying amount
	(RMB '000)					
As of December 31, 2011						
Trade and other payables	85,026	10,177	48,005	285,395	428,603	163,097
Loans and borrowings	49,013	66,697	198,209	76,259	390,178	305,150
	134,039	76,874	246,214	361,654	818,781	468,247

	Within one year or repayable on demand	One to two years	Two to five years	Over five years	Total undiscounted cash flow	Carrying amount
	(RMB '000)					
As of December 31, 2012						
Trade and other payables	148,769	16,649	46,063	270,688	482,169	266,936
Loans and borrowings	338,336	155,697	420,650	187,704	1,102,387	910,608
	487,105	172,346	466,713	458,392	1,584,556	1,177,544

	Within one year or repayable on demand	One to two years	Two to five years	Over five years	Total undiscounted cash flow	Carrying amount
	(RMB '000)					
As of December 31, 2013						
Trade and other payables	221,033	16,649	44,121	255,981	537,784	377,921
Loans and borrowings	514,907	435,459	608,935	589,162	2,148,463	1,709,448
	735,940	452,108	653,056	845,143	2,686,247	2,087,369

POST BALANCE SHEET EVENTS

At a meeting of our Board of Directors on April 10, 2014, our Directors approved a resolution to distribute dividends of RMB1.00 for every 10 shares, totaling RMB70 million. The dividend distribution was approved by shareholders at our annual general meeting of shareholders, which was held on May 28, 2014. This dividend distribution is expected to be paid in cash in July 2014.

RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in this prospectus, we entered into the following material related party transactions during the Track Record Period:

	Year ended December 31,		
	2011	2012	2013
	(RMB'000)		
Disposal of a subsidiary to a fellow subsidiary	3,823	—	—
Entrusted loan from equity owners	—	210,000	200,000
Interest paid to equity owners	—	1,611	14,749
Corporate guarantee provided from the immediate holding company in respect of banking facilities granted to the Company	—	—	622,990
Management fee to Changzhou Zhengyuan[(1)]	1,000	1,000	1,000
Service fee to Changzhou Zhengyuan	—	702	823
Heating service income from Changzhou Zhengyuan	1,520	1,250	31
Collection of slag processing fee on behalf of Changzhou Zhengyuan	1,899	2,093	1,493

(1) Changzhou Zhengyuan is the PRC joint venture partner of the Changzhou Company. Net profit (after an agreed management fee ranging from RMB500,000 to RMB1,300,000 annually to Changzhou Zhengyuan) of the Changzhou Company is fully attributable to our Company and Blue-ocean Environment.

On April 9, 2014, we fully repaid the RMB200.0 million entrusted loan from an equity owner. For further details on these transactions, please see the section entitled "Connected Transactions" in this prospectus.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be formulated by our Board and will be at their discretion, and will be subject to shareholders' approval. During the years ended December 31, 2011, 2012 and 2013, the dividends distributed by us were RMB90.5 million, nil and RMB14.0 million, respectively. At a meeting of our Board of Directors on April 10, 2014, our Directors approved a resolution to distribute dividends of RMB1.00 for every 10 shares, totaling RMB70 million. The dividend distribution was approved by shareholders at our annual general meeting of shareholders, which was held on May 28, 2014. This dividend distribution is expected to be paid in cash in July 2014.

A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. In any case, we will pay dividends out of our after-tax profits only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory surplus reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations, if any, to a discretionary surplus reserve fund that are approved by the shareholders in a shareholders' meeting.

The minimum allocations to the statutory funds are 10% of our after-tax profit, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory fund will be required. Under the PRC laws, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRS, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

After the Listing, the declaration of dividends will be subject to the approvals of our Board after considering the above factors, and by our Shareholders. There is, however, no assurance that we will be able to declare dividends of such amount or any amount in any year. In addition, the declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

Dividend Distribution Prior to the Listing

Dividend distribution prior to the Listing is paid out of after-tax profits as determined under PRC GAAP or IFRS, whichever is lower.

Distributable Reserves

The distributable reserve of our Company as of December 31, 2013 amounted to RMB108.6 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited statement of adjusted consolidated net tangible assets is based on our consolidated net tangible assets attributable to the equity holders as of December 31, 2013, as shown in Appendix I — Accountants' Report to this prospectus, adjusted as described below. Our unaudited statement of adjusted consolidated net tangible assets has been prepared for illustrative purpose only. Limited by its nature, it might not give a true picture of our financial condition.

The following unaudited adjusted consolidated net tangible assets have been prepared to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2013 as if the Global Offering had occurred on December 31, 2013.

	Consolidated net tangible assets attributable to equity holders of our Group as of December 31, 2013(1)	Estimated net proceeds receivable by our Company from the Global Offering(2)	Unaudited adjusted consolidated net tangible assets attributable to the equity holders of our Company(3)	Unaudited adjusted consolidated net tangible assets per share	
	(RMB'000)	(RMB'000)	(RMB'000)	RMB(4)	HK$(5)
Based on an Offer Price of HK$3.00 per Share	(134,341)	648,507	514,166	0.51	0.64
Based on an Offer Price of HK$3.70 per Share	(134,341)	806,410	672,069	0.67	0.84

(1) The consolidated net tangible assets of our Group as at December 31, 2013 is calculated based on the consolidated net assets of our Group of RMB1,211.43 million less intangible assets of RMB1,345.77 million as extracted from the financial information presented in Appendix I to the Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$3.00 per Share and HK$3.70 per Share respectively, assuming no exercise of the Over-allotment Option, and after deduction of underwriting fees and estimated expenses payable by us in connection with the Global Offering.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 1,000,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Global Offering). No account has been taken of the Shares which may be issued pursuant to any exercise of Over-allotment Option. The unaudited pro forma adjusted net tangible assets per Share is converted into Hong Kong dollars at the PBOC rate of RMB0.7958 to HK$1.00 prevailing on May 30, 2014.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2013.

(5) The translation of Renminbi into Hong Kong dollars has been made at the rate of RMB0.7958 to HK$1.00, the PBOC rate prevailing on May 30, 2014. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

We confirm that as of the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial position or prospects since December 31, 2013 (being the date to which our latest consolidated audited financial results were prepared) and there has been no event since December 31, 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.