The following is the text of a report, prepared for the purpose of incorporation in this prospectus received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

June 9, 2014

The Directors
Dynagreen Environmental Protection Group Co., Ltd.

CITIC Securities Corporate Finance (HK) Limited

Dear Sirs,

Introduction

We set out below our report on the financial information relating to Dynagreen Environmental Protection Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") comprising the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2011, 2012 and 2013 and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2011, 2012 and 2013 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated June 9, 2014 (the "Prospectus").

The Company was formerly named as Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司) and was established in the People's Republic of China (the "PRC") on March 29, 2000 with limited liability. As part of the group reorganisation as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company was converted into a joint stock company with limited liability in the PRC on April 23, 2012.

All companies comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods are set out in note 1(b) of Section B. The statutory financial statements of the PRC subsidiaries were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC. The statutory financial statements for the years ended December 31, 2011, 2012 and 2013 of these companies listed in note 1(b) (except Zhejiang Dongyang Fuli Construction Limited Company "Fuli") were audited by Grant Thornton

(致同會計師事務所 (特殊普通合夥)) (formerly known as 京都天華會計師事務所有限公司), a registered certified accounting firm in the PRC. There was no statutory financial statements of Fuli for the year ended December 31, 2011 and the statutory financial statements for the years ended December 31, 2012 and 2013 of Fuli were audited by Dongyang Zhonghua United Accounting Firm (東陽市眾華聯合會計師事務所) and Grant Thornton respectively. The statutory financial statements of the Hong Kong subsidiary were prepared in accordance with Hong Kong Financial Reporting Standards. The financial statements of the Hong Kong subsidiary for the years ended December 31, 2011 and 2012 were audited by W.Y. Fung & Co., a registered certified public accountants in Hong Kong.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended December 31, 2011, 2012 and 2013 were audited by KPMG Huazhen (Special General Partnership) Shenzhen Branch in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules").

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Hong Kong Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to December 31, 2013.

Opinion

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group and the Company as at December 31, 2011, 2012 and 2013 and the Group's consolidated results and cash flows for the Relevant Periods then ended.

A Consolidated Financial Information of the Group

1 Consolidated statements of comprehensive income of the Group

	Section B Note	Years ended December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Turnover	3	442,781	932,126	975,185
Direct costs and operating expenses		(309,700)	(698,949)	(688,022)
		133,081	233,177	287,163
Other revenue	4	18,939	6,698	24,864
Other net income	4	1,726	16	4,844
Administrative expenses		(31,099)	(36,712)	(56,341)
Other operating expenses		(276)	(109)	(898)
Profit from operations		122,371	203,070	259,632
Finance costs	5(a)	(21,624)	(36,615)	(74,290)
Profit before taxation	5	100,747	166,455	185,342
Income tax	6	(24,970)	(20,115)	(34,441)
Profit for the year		75,777	146,340	150,901
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
- Exchange differences on translation of financial statements, net of nil tax		(7,717)	14	(1,200)
Total comprehensive income for the year attributable to equity owners of the Company		68,060	146,354	149,701
Basic and diluted earnings per share	9	RMB0.12	RMB0.21	RMB0.22

The accompanying notes form part of the Financial Information.

2 Consolidated statements of financial position of the Group

	Section B Note	As at December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Vehicles and equipment	10	3,903	5,262	7,055
Intangible assets	11	563,091	965,469	1,345,774
Investment in an associate	12	—	3,500	3,500
Other receivables	15	4,299	157,571	167,357
Gross amounts due from customers for contract work	13	440,928	780,681	1,078,144
		1,012,221	1,912,483	2,601,830
Current assets				
Inventories	14	2,151	2,709	6,021
Trade and other receivables	15	247,839	285,879	209,849
Gross amounts due from customers for contract work	13	7,284	7,916	9,628
Restricted deposits	16	33,917	19,000	21,000
Cash and cash equivalents	17	244,674	185,206	502,167
		535,865	500,710	748,665
Current liabilities				
Loans and borrowings	18	27,500	286,567	410,023
Trade and other payables	19	81,033	142,577	209,703
Current taxation	21(a)	5,400	5,936	8,302
		113,933	435,080	628,028
Net current assets		421,932	65,630	120,637
Total assets less current liabilities		1,434,153	1,978,113	2,722,467
Non-current liabilities				
Loans and borrowings	18	277,650	624,041	1,299,425
Deferred tax liabilities	21(b)	24,141	33,061	43,391
Trade payables	19	82,064	124,359	168,218
		383,855	781,461	1,511,034
NET ASSETS		1,050,298	1,196,652	1,211,433
CAPITAL AND RESERVES				
Capital	22	689,913	700,000	700,000
Reserves	22	360,385	496,652	511,433
TOTAL EQUITY		1,050,298	1,196,652	1,211,433

The accompanying notes form part of the Financial Information.

3 Statements of financial position of the Company

	Section B Note	As at December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Non-current assets				
Vehicles and equipment	10	622	729	913
Intangible assets	11	136	180	160
Investments in subsidiaries	1(b)	875,565	1,099,805	1,267,775
Investment in an associate	12	—	3,500	3,500
Other receivables	15	—	—	233,000
		876,323	1,104,214	1,505,348
Current assets				
Trade and other receivables	15	52,067	232,612	27,101
Restricted deposits	16	—	4,000	6,000
Cash and cash equivalents	17	68,747	15,763	88,410
		120,814	252,375	121,511
Current liabilities				
Loans and borrowings	18	—	210,000	293,320
Other payables and accruals	19	228,169	307,061	24,324
Current taxation	21(a)	—	3,302	—
		228,169	520,363	317,644
Net current liabilities		(107,355)	(267,988)	(196,133)
Total assets less current liabilities		768,968	836,226	1,309,215
Non-current liabilities				
Loans and borrowings	18	—	—	415,008
NET ASSETS		768,968	836,226	894,207
CAPITAL AND RESERVES				
Capital	22	689,913	700,000	700,000
Reserves	22	79,055	136,226	194,207
TOTAL EQUITY		768,968	836,226	894,207

The accompanying notes form part of the Financial Information.

4 Consolidated statements of changes in equity

	Section B Note	Capital	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011		538,894	103,382	1,450	(7,861)	179,479	815,344
Changes in equity for 2011:							
Profit for the year		—	—	—	—	75,777	75,777
Other comprehensive income		—	—	—	(7,717)	—	(7,717)
Total comprehensive income		—	—	—	(7,717)	75,777	68,060
Capital injection	22(c)(i)	151,019	78,981	—	—	—	230,000
Appropriation to statutory reserve	22(d)(ii)	—	—	670	—	(670)	—
Transfer to retained profits		—	—	(1,450)	—	1,450	—
Capital contribution from equity owner		—	27,440	—	—	—	27,440
Appropriation to equity owner	22(b)	—	—	—	—	(90,546)	(90,546)
At December 31, 2011 and January 1, 2012		689,913	209,803	670	(15,578)	165,490	1,050,298
Changes in equity for 2012:							
Profit for the year		—	—	—	—	146,340	146,340
Other comprehensive income		—	—	—	14	—	14
Total comprehensive income		—	—	—	14	146,340	146,354
Conversion into joint stock company	22(c)(ii)	10,087	(8,848)	—	—	(1,239)	—
Appropriation to statutory reserve	22(d)(ii)	—	—	6,726	—	(6,726)	—
At December 31, 2012 and January 1, 2013		700,000	200,955	7,396	(15,564)	303,865	1,196,652

	Section B Note	Capital	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Changes in equity for 2013:							
Profit for the year		—	—	—	—	150,901	150,901
Other comprehensive income		—	—	—	(1,200)	—	(1,200)
Total comprehensive income		—	—	—	(1,200)	150,901	149,701
Acquisition of subsidiary under common control	1(b)	—	(120,920)	—	—	—	(120,920)
Appropriation to statutory reserve	22(d)(ii)	—	—	7,198	—	(7,198)	—
Dividends declared in respect of prior years	22(b)	—	—	—	—	(14,000)	(14,000)
At December 31, 2013		700,000	80,035	14,594	(16,764)	433,568	1,211,433

The accompanying notes form part of the Financial Information.

5 Consolidated cash flow statements

	Section B Note	Years ended December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Operating activities				
Profit before taxation		100,747	166,455	185,342
Adjustments for:				
Amortization	5(c)	18,885	23,069	34,945
Depreciation	5(c)	1,495	1,377	1,728
Impairment loss / (reversal of impairment loss) on trade and other receivables	5(c)	7,480	1,608	(172)
Finance costs	5(a)	21,624	36,615	79,515
Interest income	4	(1,704)	(1,409)	(1,813)
Net loss / (gain) on disposal of vehicles and equipment	4	4	(16)	—
Net gain on disposal of a subsidiary	4	(661)	—	—
Listing expense	5(c)	—	—	3,783
Net foreign exchange gain	4	(1,069)	—	(4,844)
Changes in working capital:				
Increase in inventories		(58)	(558)	(3,312)
Increase in intangible assets		(164,092)	(419,890)	(408,842)
(Increase) / decrease in trade and other receivables		(78,910)	(42,642)	74,416
Increase in gross amounts due from customers for contract work		(143,852)	(340,385)	(299,175)
Increase in trade and other payables		39,550	96,456	106,554
Decrease / (increase) in restricted deposits		—	14,917	(2,000)
Cash used in operations		(200,561)	(464,403)	(233,875)
PRC income tax paid		(16,310)	(10,659)	(21,745)
Net cash used in operating activities		(216,871)	(475,062)	(255,620)

	Section B Note	Years ended December 31, 2011	2012	2013
		RMB'000	RMB'000	RMB'000
Investing activities				
Payment for purchase of vehicles and equipment		(1,589)	(2,746)	(3,532)
Payment for purchase of intangible assets		(128)	(87)	(261)
Proceeds from disposal of vehicles and equipment		1,182	26	11
Proceeds from disposal of a subsidiary (net of cash disposed)		3,265	—	—
Capital contribution to an associate		—	(3,500)	—
Consideration paid for purchase of subsidiaries (net of cash received)		—	—	(123,382)
Interests received		1,704	1,131	1,813
Increase in other receivables		—	(150,000)	(8,000)
Net cash generated from / (used in) investing activities		4,434	(155,176)	(133,351)
Financing activities				
Proceeds from entrusted loans and bank loans		89,650	645,958	1,308,173
Repayment of bank loans and entrusted loans		(43,100)	(40,500)	(509,333)
Proceeds from capital contributions		253,362	—	—
Appropriation and dividend paid to equity owners		(90,546)	—	(14,000)
Interest paid		(18,800)	(34,700)	(76,506)
Payment for listing expenses		—	—	(1,585)
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 beginning of year		269,589	244,674	185,206
Effect of foreign exchange rate changes		(3,044)	12	(817)
Cash and cash equivalents at end of year	17	244,674	185,206	502,167

The accompanying notes form part of the Financial Information.

B Notes to the Financial Information

1 Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards and related Interpretations, promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued certain new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs applicable to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2013. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on January 1, 2013 are set out in note 29.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Hong Kong Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of preparation and presentation

The Company was formerly named as Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司, "Dynagreen Environmental Engineering"), which was established in the PRC on March 29, 2000 as a Sino-foreign equity joint venture with limited liability. Throughout the Relevant Periods, there was no change in the controlling equity owner (i.e. Beijing State-Owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司)) notwithstanding the occurrence of various capital injections and share transfers. On April 23, 2012, Dynagreen Environmental Engineering was converted into a joint stock limited liability company and with a registered capital of RMB700,000,000 as part of the Reorganization of the Company in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited. Upon completion of this conversion, the Company changed its name to Dynagreen Environmental Protection Group Co., Ltd. (綠色動力環保集團股份有限公司).

On March 19, 2013, the Company acquired the 100% equity interest of Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司), which was 100% controlled by Beijing State-Owned Assets Management Co., Ltd. There was no change in controlling equity owner, Beijing State-Owned Assets Management Co., Ltd., before and after the acquisition. The acquisition has been accounted for as a combination of entity under common control. Accordingly, the relevant assets and liabilities of Blue-Ocean Environment Investment Holding Company Limited have been recognized at historical cost.

The Group has adopted merger accounting in preparing its Financial Information. The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in section A(1), A(4) and A(5), respectively include the results of operations of the companies comprising the Group for the Relevant Periods (or where the companies were established at a date later than January 1, 2011, for the period from the date of establishment to December 31, 2013), as if the group structure has been in existence throughout the Relevant Periods. The consolidated statements of financial position as of December 31, 2011, 2012 and 2013 as set out in Section A(2) have been prepared to present the state of affairs of the companies comprising the Group as of the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at December 31, 2013, the Company has direct and indirect interests in the following entities and the particulars of which are set out below:

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest		Principal activities
			Direct	Indirect	
Haining Dynagreen Renewable Energy Co., Ltd.* ("Haining Company") (海寧綠色動力再生能源有限公司)	PRC March 15, 2004	RMB 90,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Taizhou Dynagreen Renewable Energy Co., Ltd.* (泰州綠色動力再生能源有限公司)	PRC November 2, 2009	RMB 180,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Qingdao Dynagreen Renewable Energy Co., Ltd.* (青島綠色動力再生能源有限公司)	PRC September 23, 2005	HKD 93,500,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Wuhan Dynagreen Renewable Energy Co., Ltd.* (武漢綠色動力再生能源有限公司)	PRC September 15, 2006	RMB 129,480,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Yongjia Dynagreen Renewable Energy Co., Ltd.* (永嘉綠色動力再生能源有限公司)	PRC February 1, 2010	RMB 100,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Indirect	Principal activities
Pingyang Dynagreen Renewable Energy Co., Ltd.* (平陽綠色動力再生能源有限公司)	PRC April 6, 2010	RMB 100,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Rushan Dynagreen Renewable Energy Co., Ltd.* (乳山綠色動力再生能源有限公司)	PRC October 25, 2010	RMB 100,880,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd.* (常州綠色動力環保熱電有限公司)	PRC December 31, 2005	RMB 138,400,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Beijing Dynagreen Environmental Protection Research Institute Co., Ltd.* (北京綠色動力環保技術研究院有限公司)	PRC December 7, 2010	RMB 5,000,000	100%	—	Conduct of environmental protection research projects
Zhangqiu Dynagreen Renewable Energy Co., Ltd.* (章丘綠色動力再生能源有限公司)	PRC February 16, 2012	RMB 120,880,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Anshun Dynagreen Renewable Energy Co., Ltd.* (安順綠色動力再生能源有限公司)	PRC May 18, 2012	RMB 20,000,000/ RMB 100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Jurong Dynagreen Renewable Energy Co., Ltd.* (句容綠色動力再生能源有限公司)	PRC September 24, 2012	RMB 20,000,000/ RMB 100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Pingyao Dynagreen Renewable Energy Co., Ltd.* (平遙縣綠色動力再生能源有限公司)	PRC November 14, 2012	RMB 20,000,000/ RMB 100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Indirect	Principal activities
Huizhou Dynagreen Environment Co., Ltd.* (惠州綠色動力環保有限公司)	PRC December 19, 2012	RMB 44,000,000/ RMB 220,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Tianjin Dynagreen Renewable Energy Co., Ltd.* (天津綠色動力再生能源有限公司)	PRC June 6, 2013	RMB 40,000,000/ RMB 100,000,000	60%	40%	Design, construction, operation and management of waste-to-energy power plant
Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司)	Hong Kong June 30, 2005	HKD 126,733,000	100%	—	Investment holding
Tianjin Dynagreen Environmental Energy Co., Ltd.* (天津綠動環保能源有限公司)	PRC November 13, 2013	RMB20,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Zhejiang Dongyang Fuli Construction Limited Company* ("Fuli") (浙江省東陽市富力建設有限公司)	PRC December 15, 2011	RMB20,800,000	100%	—	Provision of construction service

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Going concern

The net current liabilities of the Company at December 31, 2013 amounting to RMB 196,133,000, which lead to liquidity concern for the Company.

The reason for the net current liabilities was owing to the fact that the Company financed its certain capital expenditure and operations with short-term loans. The directors of the Company maintained good long-term business relationship with major financial institutions, so as to ensure that it can obtain sufficient reserves of cash and adequate committed lines of funding from them to meet its liquidity requirement. At December 31, 2013, the unutilized banking facilities of the Company amounted to RMB417,990,000 which are valid till December 31, 2014.

In view of the above, the directors are of the opinion that, based on a detailed review of the working capital forecast of the Company for the forthcoming future, the Company will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months from December 31, 2013 and the Company's preparation of Financial Information on a going concern assumption is reasonable.

(c) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. RMB is the functional currency of the Company and the Group's major operating subsidiaries. The Financial Information is prepared on the historical cost basis.

(d) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and the major sources of estimation uncertainty are discussed in note 2.

(e) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognized.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(f)) or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(p)).

Business combinations arising from transfer of interests in entities that are under the common control of the equity owner that control the Group are accounted for using book value accounting as if the acquisition had occurred at the beginning of the earliest comparative period presented. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's equity owner's consolidated financial statements.

Upon transfer of interest in an entity to another entity that are under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

(f) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(p)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/ period are recognized in the consolidated statement of comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in other comprehensive income of the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealized profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case they are recognized immediately in profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investment in an associate is stated at cost less impairment losses (see note 1(p)).

(g) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognized in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing exchange rates at the end of the reporting period. The resulting exchange differences are recognized in other comprehensive income and accumulated separately in equity in the translation reserve.

(h) Non-derivative financial assets

The Group initially recognizes trade and other receivables on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such derecognized financial assets that is created or retained by the Group is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: gross amounts due from customers for contract work, trade and other receivables, cash and cash equivalents and restricted deposits.

(i) Gross amounts due from customers for contract work

The Group recognizes a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as gross amounts due from customers for contract work. Subsequent to initial recognition, the financial assets are measured at amortized cost using the effective interest method.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognized at the fair value of the consideration.

(ii) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(p)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(iii) Cash and cash equivalents and restricted deposits

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Restricted deposits represent Build-Operate-Transfer ("BOT") contract deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(i) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(i) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(q)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(ii) Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between the amount initially recognized and redemption value being recognized in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(j) Ordinary share

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

(k) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are consumed, the carrying amount of those inventories is recognized as an expense in profit or loss.

(l) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(p)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Motor vehicles	5 years
- Furniture, fixtures and equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(m) Intangible assets

The Group recognizes a waste-to-energy operating right arising from a service concession arrangement when it has a right to charge for use of the concession infrastructure. A waste-to-energy project operating right received as consideration for providing construction services in a service concession arrangement is measured at fair value on initial recognition with reference to the fair value of the services provided. Subsequent to initial recognition, the waste-to-energy project operating right is measured at cost, which includes capitalized borrowing costs (see note 1(u)), less accumulated amortization and impairment losses (see note 1(p)).

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 the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(u)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 1(p)). Other development expenditure is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The estimated useful life of a waste-to-energy project operating right in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

- Computer software	10 years
- Waste-to-energy project operating rights	23 to 30 years
- Construction license	48 years

Both the period and method of amortization are reviewed annually.

(n) Construction contracts

Construction contracts are contracts specifically 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. The accounting policy for contract revenue is set out in note 1(r)(ii). 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 as an expense immediately. 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.

(o) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(p) Impairment of assets

(i) Impairment of interest in an associate, trade and other receivables and gross amounts due from customers for contract work

Interest in an associate, trade and other receivables and gross amounts due from customers for contract work that are stated at cost or amortized cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognized as follows:

- For interest in an associate accounted for under the equity method in the Financial Information (see note 1(f)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(p)(ii). The impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount in accordance with note 1(p)(ii).

- For trade and other receivables and gross amounts due from customers for contract work, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years/periods.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased:

- vehicles and equipment;
- intangible assets; and
- investments in subsidiaries and associate in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognized in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years/periods. Reversals of impairment losses are credited to profit or loss in the year/period in which the reversals are recognized.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognized as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognized in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognized in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Other provisions and contingent liabilities

Provisions are recognized for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows:

(i) Service concession arrangement

Revenue relating to construction services under a service concession arrangement is recognized based on the stage of completion of the contract (see note 1(r)(ii)). Operation or service revenue is recognized in the period in which services are provided by the Group (see note 1(r)(iii)). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

(ii) Revenue from construction services

When the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognized in profit or loss in proportion to the stage of completion of the contract.

The stage of completion is assessed by reference to the percentage of contract costs incurred to date to estimated total costs for the contract. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognized immediately in profit or loss.

(iii) Revenue from waste-to-energy project operation, technical consultation services

Revenue from waste-to-energy project operation, technical consultation services are recognized when the services are rendered. Revenue excludes value added tax or other sale taxes.

(iv) Finance income

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

(v) Government grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(s) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year/period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognized. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

The Group operates in a single business segment which engages in waste-to-energy project construction and operation services in the PRC. Accordingly, no segmental analysis is presented.

2 Accounting judgments and estimates

(a) Critical accounting judgments in applying the Group's accounting policies

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the Financial Information. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(i) Service concession arrangements

The Group entered into BOT arrangements in respect of its waste-to-energy projects. The Group concluded that all the BOT arrangements are service concession arrangements under International Financial Reporting Interpretations Committee ("IFRIC") 12, because the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge. Upon expiry of the concession right agreements, the infrastructure has to be transferred to the local government at nil consideration.

(b) Sources of estimation uncertainty

Note 24 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy notes 1(n) and 1(r)(ii), revenue and profit recognition on an incomplete project is dependent on estimating the final outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the "Gross amounts due from customers for contract work" as disclosed in note 13 and the "Waste-to-energy project operating rights" in note 11 will not include profit which the Group may eventually realize from the work to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognized in future years as an adjustment to the amounts recorded to date.

(ii) Impairment losses for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the ageing of the receivables, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers were to deteriorate, actual write-offs would be higher than estimated.

(iii) Other impairment losses

If circumstances indicate that the carrying value of investments in subsidiaries, associate, vehicles and equipment and intangible assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognized in accordance with International Accounting Standard ("IAS") 36, Impairment of assets. The carrying amounts of these assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to estimate precisely fair values because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and amount of operating costs.

(iv) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognized for temporary deductible differences to the extent that it is probable that future taxable profits 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 reassess these 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.

3 Turnover

The Group is principally engaged in the waste-to-energy project construction and operation services.

Turnover represents the revenue for construction services under BOT and Build-Transfer ("BT") arrangements, revenue from waste-to-energy project operation services and finance income under the BOT arrangements, as well as technical consulting income. Further details regarding the Group's BOT arrangements are disclosed in note 13. The amount of each significant category of revenue recognized in turnover during the Relevant Periods is as follows:

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Revenue from waste-to-energy project construction services	312,982	773,027	714,944
Revenue from waste-to-energy project operation services	103,263	114,023	201,096
Finance income	23,129	37,986	57,676
Technical consulting income	3,407	7,090	1,469
	442,781	932,126	975,185

The Group has transactions with the PRC local government authorities and power grid companies which in aggregate exceeded 10% of the Group's turnover. Turnover from provision of waste-to-energy project construction and operation services and finance income derived from local government authorities and power grid companies in the PRC for each of the year ended December 31, 2011, 2012 and 2013 amounted to RMB439,374,000, RMB925,036,000 and RMB973,716,000, respectively. Details of concentrations of credit risk arising from these customers are set out in note 24(a).

4 Other revenue and net income

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Other revenue			
Bank interest income	1,704	1,409	1,813
Government grants(i)	461	226	4,371
Value-added tax refund(i)	16,556	4,751	17,755
Others	218	312	925
	18,939	6,698	24,864
Other net income			
Net (loss) / gain on disposal of vehicles and equipment	(4)	16	—
Net gain on disposal of a subsidiary(ii)	661	—	—
Net foreign exchange gain	1,069	—	4,844
	1,726	16	4,844

(i) The government grants (unconditional) and value-added tax refund of the Group were recognized as income when received.

(ii) On August 29, 2011, the Group disposed of its entire 100% equity interests of Jiangmen Dynagreen Medical Waste Treatment Co., Ltd. (江門市綠色動力醫療廢物處理有限公司) to a fellow subsidiary at a cash consideration of RMB3,823,000. The book value of net asset at disposal date was RMB3,162,000, thus recognizing a gain on disposal of RMB661,000.

5 Profit before taxation

Profit before taxation is arrived at after charging / (crediting):

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
(a) Finance costs			
Interest on bank and entrusted loans	18,972	35,354	79,515
Other interest expenses (note 19)	4,463	6,729	9,871
	23,435	42,083	89,386
Less: interest expense capitalized into intangible assets*	(1,811)	(5,468)	(15,096)
	21,624	36,615	74,290

* The borrowing costs have been capitalized at a rate of 6.55% to 7.21% in 2013 (2012: 6.55% to 7.76%, 2011: 6.14% to 7.05%).

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
(b) Staff costs			
Contributions to defined contribution retirement plans (note 20)	2,523	3,383	5,059
Salaries, wages and other benefits	34,126	51,506	76,714
	36,649	54,889	81,773
(c) Other items			
Cost of construction service*	255,635	635,523	572,149
Operating lease charges	907	1,080	1,612
Amortization	18,885	23,069	34,945
Depreciation	1,495	1,377	1,728
Impairment loss / (reversal of impairment loss) on trade and other receivables	7,480	1,608	(172)
Auditor's remuneration	266	672	265
Research and development costs**	4,553	5,129	7,573
Listing expenses	—	—	3,783

* Cost of construction service include RMB8,274,000, RMB16,242,000 and RMB18,524,000 for the years ended December 31, 2011, 2012 and 2013 respectively relating to staff costs of employees in the construction service, whose amount is also included in the respective total amounts disclosed separately in note 5(b).

** Research and development costs include RMB2,737,000, RMB3,167,000 and RMB4,178,000 for the years ended December 31, 2011, 2012 and 2013 respectively relating to staff costs of employees in the research and development department and depreciation, whose amounts are also included in the respective total amounts disclosed separately above or in note 5(b) and 5(c) for each of these types of expenses.

6 Income tax in the consolidated statements of comprehensive income

(a) Taxation in the consolidated statements of comprehensive income represents:

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	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 (note 6(b)(ii))	—	(6,861)	—
	16,783	11,195	24,111
Deferred tax			
Origination and reversal of temporary differences	8,187	8,920	10,330
Income tax expense	24,970	20,115	34,441

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Profit before taxation	100,747	166,455	185,342
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned(i)	25,187	41,614	46,335
Tax effect of preferential tax treatments(ii)	(8,808)	(15,236)	(13,957)
Tax effect of non-deductible expenses	499	315	542
Tax effect of temporary differences not recognized	1,815	401	(33)
Tax effect of tax losses not recognized	1	73	265
Under-provision in respect of prior years	—	171	415
Refund of income tax under tax concession(ii)	—	(6,861)	—
Additional deduction for research and development costs	(159)	(343)	—
Others(iii)	6,435	(19)	874
Actual tax expense	24,970	20,115	34,441

(i) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the years ended December 31, 2011, 2012 and 2013.

The Group's PRC entities are subject to income tax at the statutory rate of 25%, unless otherwise specified.

(ii) The Company and certain subsidiaries of the Group are entitled to the following PRC preferential tax treatments:

The Company was approved as a High and New Technology Enterprise ("HNTE") in 2009 according to the "Notification of the Registration Filing of the Tax Concession" promulgated by local tax bureau of Nanshan District, Shenzhen, which entitled the Company to a preferential income tax rate of 15% from January 2008 to December 2010. On October 31, 2011, the Company renewed its HNTE qualification, entitling it to the preferential income tax rate of 15% from January 2011 to December 2013.

Entities engaged in qualified environmental protection, water and energy conservation, are eligible for a tax exemption for the first year to the third year, and a 50% reduction in corporate income tax for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "3+3 tax holiday"). Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. was granted "Certificate of Comprehensive Utilization of Resources" in 2008 and started to enjoy the 3+3 tax holiday from 2008. Haining Company was granted "Certificate of Comprehensive Utilization of Resources" in 2012 and entitled to the 3+3 tax holiday retrospectively from 2009. In 2012 the local tax authority refunded Haining Company RMB6,861,000 in respect of corporate income tax for 2009 to 2011.

Pursuant to CIT Law, entities with annual taxable income not more than RMB300,000 (i.e. micro-profit entities) was subject to a preferential income tax rate of 20%. According to relevant tax concession notification from the PRC national tax bureau, qualified mirco-profit entities with annual taxable income not more than RMB30,000 in 2011 and annual taxable income not more than RMB60,000 in 2012 to 2015, are entitled to a further tax concession of 50% on its annual taxable income, which was then subject to the preferential income tax rate of 20%. Beijing Dynagreen Environmental Protection Research Institute Co., Ltd. satisfied the aforementioned criteria and was subject to a preferential income tax rate of 20% on its 50% deducted taxable income.

(iii) Included in the amount for 2011 is the income tax provision of RMB3,750,000 in 2011 relating to a terminated technology transfer contract. The management was in a view that the possibility to get the tax refund was low.

7 Directors' and supervisors' remuneration

Details of directors' and supervisors' remuneration are disclosed as follows:

Year ended December 31, 2011

	Directors' and supervisors' fees	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Qiao Dewei (喬德衛)	—	810	15	550	1,375
Non-executive directors					
Gui Jinghua (歸靜華)	—	—	—	—	—
Guo Yanbin (郭彥彬)	—	—	—	—	—
Li Minji (李民吉) (note (a))	—	—	—	—	—
Liu Shuguang (劉曙光)	—	—	—	—	—
Wang Yin (王寅)	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Total	—	810	15	550	1,375

Year ended December 31, 2012

	Directors' and supervisors' fees	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Qiao Dewei (喬德衛)	—	782	16	650	1,448
Non-executive directors					
Gui Jinghua (歸靜華) (note (b))	—	—	—	—	—
Guo Yanbin (郭彥彬)	—	—	—	—	—
Liu Shuguang (劉曙光)	—	—	—	—	—
Sun Jing (孫婧) (note (c))	—	—	—	—	—
Wang Yin (王寅) (note (d))	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Yao Ji (姚冀) (note (e))	—	—	—	—	—
Independent non-executive directors					
Chen Xin (陳鑫) (note (f))	38	—	—	—	38
Lai Desheng (賴德勝) (note (g))	38	—	—	—	38
Li Ping (李萍) (note (h))	38	—	—	—	38
Supervisor					
Zhong Xia(仲夏) (note (i))	—	418	17	200	635
Total	114	1,200	33	850	2,197

Year ended December 31, 2013

	Directors' and supervisors' fees	Basic salaries, allowances and other benefits	Contributions to defined contribution retirement plans	Discretionary bonuses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive director					
Qiao Dewei (喬德衛)	—	814	23	640	1,477
Non-executive directors					
Guo Yanbin (郭彥彬)	—	—	—	—	—
Liu Shuguang (劉曙光)	—	—	—	—	—
Sun Jing (孫婧)	—	—	—	—	—
Yao Ji (姚冀)	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Independent non-executive directors					
Chen Xin (陳鑫)	50	—	—	—	50
Lai Desheng (賴德勝)	50	—	—	—	50
Li Ping (李萍)	50	—	—	—	50
Supervisors					
Zhong Xia(仲夏)	—	419	25	250	694
Luo Zhaoguo (羅照國) (note (j))	—	—	—	—	—
Liu Jinsong (劉勁松) (note (k))	—	—	—	—	—
Total	150	1,233	48	890	2,321

Notes:

(a) Mr. Li Minji resigned as non-executive director on March 16, 2011.

(b) Ms. Gui Jinghua resigned as non-executive director on April 11, 2012.

(c) Ms. Sun Jing was appointed as non-executive director on April 11, 2012.

(d) Mr. Wang Yin resigned as non-executive director on October 24, 2012.

(e) Mr. Yao Ji was appointed as non-executive director on October 24, 2012.

(f) Ms. Chen Xin was appointed as independent non-executive director on April 11, 2012.

(g) Mr. Lai Desheng was appointed as independent non-executive director on April 11, 2012.

(h) Ms. Li Ping was appointed as independent non-executive director on April 11, 2012.

(i) Ms. Zhong Xia was appointed as supervisor on April 11, 2012.

(j) Mr. Luo Zhaoguo was appointed as supervisor on June 19, 2013.

(k) Mr. Liu Jinsong was appointed as supervisor on December 18, 2013.

During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 8 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments during the Relevant Periods, there is a director disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,819	1,976	2,010
Contributions to defined contribution retirement plans	61	68	97
Discretionary bonuses	957	1,886	1,550
	2,837	3,930	3,657

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Years ended December 31,		
	2011	2012	2013
	Number of individuals	Number of individuals	Number of individuals
HKD			
Nil to 1,000,000	3	1	—
1,000,001 to 1,500,000	1	3	4

9 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity owners of the Company of RMB75,777,000, RMB146,340,000 and RMB150,901,000 and the weighted average number of ordinary shares in issue of 640,246,000, 700,000,000, 700,000,000 for the years ended December 31, 2011, 2012 and 2013 as if the conversion into a joint stock company with limited liability as disclosed in note 1(b) occurred at the beginning of the Relevant Periods.

Weighted average number of ordinary shares

	2011	2012	2013
	'000	'000	'000
Ordinary shares at January 1	539,631	700,000	700,000
Effect of shares to new investors' capital injection	100,615	—	—
Weighted average number of ordinary shares at December 31	640,246	700,000	700,000

The Company did not have any potential dilutive shares throughout the Relevant Periods. Accordingly, diluted earnings per share is the same as basic earnings per share.

10 Vehicles and equipment

The Group

	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2011	4,344	4,282	8,626
Additions	1,028	561	1,589
Disposals	—	(1,318)	(1,318)
At December 31, 2011 and January 1, 2012	5,372	3,525	8,897
Additions	1,422	1,324	2,746
Disposals	(180)	(2)	(182)
At December 31, 2012 and January 1, 2013	6,614	4,847	11,461
Additions	1,212	2,320	3,532
Disposals	—	(120)	(120)
At December 31, 2013	7,826	7,047	14,873
Accumulated depreciation:			
At January 1, 2011	2,228	1,403	3,631
Charge for the year	885	610	1,495
Written back on disposals	—	(132)	(132)
At December 31, 2011 and January 1, 2012	3,113	1,881	4,994
Charge for the year	769	608	1,377
Written back on disposals	(172)	—	(172)
At December 31, 2012 and January 1, 2013	3,710	2,489	6,199
Charge for the year	858	870	1,728
Written back on disposals	—	(109)	(109)
At December 31, 2013	4,568	3,250	7,818
Net book value:			
At December 31, 2011	2,259	1,644	3,903
At December 31, 2012	2,904	2,358	5,262
At December 31, 2013	3,258	3,797	7,055

The Company

	Motor vehicles	Furniture, fixtures and equipment	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2011	1,691	821	2,512
Additions	8	284	292
Disposals	—	(48)	(48)
At December 31, 2011 and January 1, 2012	1,699	1,057	2,756
Additions	180	147	327
Disposals	(180)	—	(180)
At December 31, 2012 and January 1, 2013	1,699	1,204	2,903
Additions	—	388	388
At December 31, 2013	1,699	1,592	3,291
Accumulated depreciation:			
At January 1, 2011	1,389	468	1,857
Charge for the year	167	154	321
Written back on disposals	—	(44)	(44)
At December 31, 2011 and January 1, 2012	1,556	578	2,134
Charge for the year	70	141	211
Written back on disposals	(171)	—	(171)
At December 31, 2012 and January 1, 2013	1,455	719	2,174
Charge for the year	36	168	204
At December 31, 2013	1,491	887	2,378
Net book value:			
At December 31, 2011	143	479	622
At December 31, 2012	244	485	729
At December 31, 2013	208	705	913

11 Intangible assets

The Group

	Computer software	Waste-to-energy project operating rights	Construction license	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2011	81	456,621	—	456,702
Additions	128	165,903	—	166,031
Disposal through disposal of a subsidiary (note 4)	—	(12,751)	—	(12,751)
Exchange adjustments	—	(628)	—	(628)
At December 31, 2011 and January 1, 2012	209	609,145	—	609,354
Additions	87	425,358	—	425,445
Exchange adjustments	—	2	—	2
At December 31, 2012 and January 1, 2013	296	1,034,505	—	1,034,801
Additions				
- through acquisition of a subsidiary (note 23)	—	—	6,529	6,529
- others	261	408,843	—	409,104
Exchange adjustments	—	(383)	—	(383)
At December 31, 2013	557	1,442,965	6,529	1,450,051
Accumulated amortization:				
At January 1, 2011	10	34,729	—	34,739
Charge for the year	20	18,865	—	18,885
Written back on disposal (note 4)	—	(7,328)	—	(7,328)
Exchange adjustments	—	(33)	—	(33)
At December 31, 2011 and January 1, 2012	30	46,233	—	46,263
Charge for the year	28	23,041	—	23,069
At December 31, 2012 and January 1, 2013	58	69,274	—	69,332
Charge for the year	51	34,894	—	34,945
At December 31, 2013	109	104,168	—	104,277
Net book value:				
At December 31, 2011	179	562,912	—	563,091
At December 31, 2012	238	965,231	—	965,469
At December 31, 2013	448	1,338,797	6,529	1,345,774

The Company

	Computer software
	RMB'000
Cost:	
At January 1, 2011	17
Additions	127
At December 31, 2011 and January 1, 2012	144
Additions	59
At December 31, 2012, January 1, 2013 and December 31, 2013	203
Accumulated amortization:	
At January 1, 2011	1
Charge for the year	7
At December 31, 2011 and January 1, 2012	8
Charge for the year	15
At December 31, 2012 and January 1, 2013	23
Charge for the year	20
At December 31, 2013	43
Net book value:	
At December 31, 2011	136
At December 31, 2012	180
At December 31, 2013	160

The cost of waste-to-energy project operating rights (the "Operating Rights") represented the fair value of operating rights acquired. The Operating Rights was deemed to be definite life intangible assets as the BOT arrangements stated that the operation periods vary from 25 years to 30 years. It is expected to generate long-term net cash inflow to the Group.

For those waste-to-energy projects which have not yet commenced operation, the recoverable amount of the Operating Rights is estimated based on its future cash inflow forecast and using an after-tax discount rate of 8.57% during the years. The recoverable amount is estimated to be higher than the carrying amount, and no impairment is required.

Amortization of intangible assets is included in "direct costs and operating expenses" in the consolidated statements of comprehensive income of the Group.

12 Investment in an associate

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Share of net assets	—	3,500	3,500

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unlisted capital contribution, at cost	—	3,500	3,500

The following list contains particulars of the associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of associate	Form of business structure	Place of establishment and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activity
Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. (北京天能神創環保有限公司)	Established	PRC	RMB 10,000,000	35%	35%	—	Provision of waste treatment service and conduct of technology development

(i) The official name of the entity is in Chinese. The English translation of the name is for reference only.

(ii) Summarized financial information of the associate reconciled to the carrying amounts in the Financial Information are disclosed below:

	As at December 31, 2012	As at December 31, 2013
	RMB'000	RMB'000
Gross amounts of the associate		
Current assets	9,998	9,998
Current liabilities	(1)	—
Equity	9,997	9,998
Profit/(loss) and total comprehensive income	(3)	1
Reconciled to the Group's interest in associate		
Gross amounts of net assets of the associate	9,997	9,998
Group's effective interest	35%	35%
Group's share of net assets and carrying amount in the Financial Information	3,500	3,500

13 Gross amounts due from customers for contract work

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Contract costs incurred plus recognized profits less anticipated 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			
- Non-current	440,928	780,681	1,078,144
- Current	7,284	7,916	9,628
	448,212	788,597	1,087,772

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "grantors"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage waste-to-energy projects in the PRC for a period of 25 to 30 years. The Group has the obligation to maintain the waste-to-energy power plants in good condition. The grantors guarantee that the Group will receive minimum annual payments for certain service concession arrangements. Upon expiry of the concession periods, the waste-to-energy power plants and the related facilities will be transferred to the local government authorities.

The service concession arrangements do not contain renewal options. The standard rights of the grantors to terminate the agreements include failure of the Group to construct or operate the waste-to-energy projects and in the event of a material breach of the terms of the agreements. The standard rights of the Group to terminate the agreements include failure of the grantors to make payment under the agreements and in the event of a material breach of the terms of the agreements.

Revenue relates to the construction services provided in constructing the waste-to-energy projects is recognized as "Gross amounts due from customers for contract work" and "Waste-to-energy project operating rights" in the Financial Information according to accounting policies as set out in notes 1(h)(i) and 1(m).

"Gross amounts due from customers for contract work" mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging from 6.61% to 7.71% per annum for the years ended December 31, 2011, 2012 and 2013. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

14 Inventories

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Spare parts	2,151	2,709	6,021

15 Trade and other receivables

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables	16,479	60,614	68,896
Less: Allowance for doubtful debts (note 15(b))	(82)	(477)	(301)
	16,397	60,137	68,595
Prepayments for construction	202,927	174,527	78,013
Other receivables, deposits and prepayments	32,814	208,786	230,598
	252,138	443,450	377,206
Less: Non-current portion — Other receivables	(4,299)	(157,571)	(167,357)
	247,839	285,879	209,849

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Trade receivables			
- from subsidiaries	16,843	21,484	—
- from third parties	—	4,767	5,075
Less: Allowance for doubtful debts (note 15(b))	—	(238)	(238)
	16,843	26,013	4,837
Other receivables, deposits and prepayments	35,224	20,292	22,264
Other receivables from subsidiaries	—	186,307	233,000
	52,067	232,612	260,101
Less: Non-current portion — Other receivables	—	—	(233,000)
	52,067	232,612	27,101

Included in "Other receivables, deposits and prepayments" of the Group at December 31, 2011, 2012 and 2013 were retention receivables of RMB13,000,000, RMB25,000,000 and RMB30,000,000 respectively, in respect of construction contracts in progress at the end of the reporting period, among which RMB13,000,000, RMB15,000,000 and RMB30,000,000 at December 31, 2011, 2012 and 2013 respectively were expected to be recovered after more than one year.

Other receivables, deposits and prepayments of the Group include balances of RMB4,414,000, RMB19,640,000 and RMB33,623,000 at December 31, 2011, 2012 and 2013 respectively, which bear interest at rates ranging from 6.61% to 7.71% per annum and represent finance income receivables under BOT arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

Other receivables of the Group of RMB150,278,000 and RMB152,067,000 as at December 31, 2012 and 2013 respectively were unsecured, interest-bearing at 0.74% per annum, due from an unrelated party and will be repaid by installments until 2020.

The Company's non-current other receivables of RMB233,000,000 as at December 31, 2013 were entrusted loans to the subsidiaries which were unsecured, interest-bearing at rates ranging from 6.15% to 6.55% per annum and will be repaid by installments until 2023.

The remaining trade and other receivables are expected to be recovered or recognized as expense within one year.

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on invoice date and net of allowance for doubtful debts, is as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 month	9,346	49,901	53,057
More than 1 month to 3 months	3,580	2,894	7,045
More than 3 months to 6 months	3,471	7,342	718
Over 6 months	—	—	7,775
	16,397	60,137	68,595

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 month	603	21,459	—
More than 1 month to 3 months	3,953	3,217	1,270
More than 3 months to 6 months	12,287	1,337	718
Over 6 months	—	—	2,849
	16,843	26,013	4,837

Trade receivables are due between 10 days to 30 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(p)(i)).

The movement in the allowance for doubtful debts during the Relevant Periods is as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At January 1,	12	82	477
Impairment loss recognized / (reversed)	70	395	(176)
At December 31,	82	477	301

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
At January 1,	—	—	238
Impairment loss recognized	—	238	—
At December 31,	—	238	238

The Group's trade receivables of RMB1,636,000, RMB9,537,000 and RMB6,337,000 and the Company's trade receivables of RMB Nil, RMB4,767,000 and RMB5,075,000 at December 31, 2011, 2012 and 2013 respectively were individually determined to be impaired. The individually impaired receivables related to certain long-aged receivables and management assessed that a portion of such receivables might not be recovered based on management's experience. Consequently, specific allowances for doubtful debts of RMB82,000, RMB477,000 and RMB301,000 were recognized for the Group and specific allowances for doubtful debts of RMB Nil, RMB238,000 and RMB238,000 were recognized for the Company at December 31, 2011, 2012 and 2013 respectively.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	9,174	45,374	49,859
More than 1 month but within 3 months past due	2,639	—	6,777
More than 3 months but within 6 months past due	3,030	5,703	997
More than 6 months but within 1 year past due	—	—	4,926
Amounts past due	5,669	5,703	12,700
	14,843	51,077	62,559

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	16,843	21,484	—

Receivables that were neither past due nor impaired relate to certain local government authorities and power grid companies in the PRC for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of local government authorities and power grid companies in the PRC that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

16 Restricted deposits

The restricted deposits of the Group and the Company represent deposits pledged for BOT contracts and letter of credit.

17 Cash and cash equivalents

Cash and cash equivalents comprise:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits with banks	244,509	185,150	502,124
Cash in hand	165	56	43
	244,674	185,206	502,167

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deposits with banks	68,721	15,763	88,410
Cash in hand	26	—	—
	68,747	15,763	88,410

The majority of the cash at bank and in hand of the Group and the Company are dominated in RMB. Remittance of funds out of PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

18 Loans and borrowings

At December 31, 2011, 2012 and 2013, the loans and borrowings were repayable as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	27,500	286,567	410,023
After 1 year but within 2 years	47,123	114,823	348,049
After 2 years but within 5 years	161,736	342,428	446,315
After 5 years	68,791	166,790	505,061
	277,650	624,041	1,299,425
	305,150	910,608	1,709,448

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	—	210,000	293,320
After 1 year but within 2 years	—	—	211,320
After 2 years but within 5 years	—	—	37,527
After 5 years	—	—	166,161
	—	—	415,008
	—	210,000	708,328

At December 31, 2011, 2012 and 2013, the loans and borrowings were secured as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Bank loans			
- secured	305,150	557,178	896,343
- unsecured	—	143,430	613,105
	305,150	700,608	1,509,448
Unsecured entrusted loans from equity owners	—	210,000	200,000
	305,150	910,608	1,709,448

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Unsecured entrusted loans			
- from equity owners	—	210,000	200,000
- from subsidiaries	—	—	13,000
	—	210,000	213,000
Unsecured bank loans	—	—	495,328
	—	210,000	708,328

Banking facilities of the Group amounting to RMB654,500,000, RMB982,910,000 and RMB933,940,000 as at December 31, 2011, 2012 and 2013 respectively were secured by the certain receivables and operating rights in connection with the Group's service concession arrangements. Details of the secured assets are set out below:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Intangible assets	458,052	798,194	1,173,214
Gross amounts due from customers for contract work	375,262	655,918	956,943
Trade and other receivables	16,074	56,991	85,856
	849,388	1,511,103	2,216,013

Apart from the above, the Company's investment in Rushan Dynagreen Renewable Energy Co., Ltd. ("Rushan Company") of RMB100,880,000 was pledged for the long-term bank loans borrowed by Rushan Company as at December 31, 2012 and 2013.

Such banking facilities were utilized to the extent of RMB305,150,000, RMB557,178,000 and RMB896,343,000 as at December 31, 2011, 2012 and 2013 respectively.

The unsecured banking facilities of the Group amounting to RMB167,000,000 and RMB1,470,590,000 were utilized to the extent of RMB143,430,000 and RMB617,778,000 as at December 31, 2012 and 2013 respectively. The Group had no unsecured banking facilities as at December 31, 2011.

Banking facilities of RMB622,990,000 for the year ended December 31, 2013 were subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the Group shall indemnify each lender against any cost, loss or liability incurred by such lender (including any loss of margin) within three business days of demand. At December 31, 2013, such facilities were utilized to the extent of RMB205,000,000. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 24(b). As at December 31, 2013, none of the covenants relating to drawn down facilities had been breached.

19 Trade and other payables

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	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
Less: Non-current portion — trade payables	(82,064)	(124,359)	(168,218)
	81,033	142,577	209,703

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Amounts due to subsidiaries	209,047	284,739	10,000
Other payables and accruals	19,122	22,322	14,324
	228,169	307,061	24,324

Trade payables of RMB83,693,000, RMB128,344,000 and RMB173,537,000 as at December 31, 2011, 2012 and 2013 respectively were unsecured, interest-bearing ranging from 5.94% to 7.05% per annum, due to unrelated suppliers and will be repaid by instalments during the service concession period of the Group's respective BOT arrangements, among which RMB82,064,000, RMB124,359,000 and RMB168,218,000 respectively were not expected to be settled within one year.

Except as disclosed above, all of the trade and other payables are expected to be settled or recognized as income within one year or are repayable on demand.

An ageing analysis of the trade payables is as follows:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Due within 1 month or on demand	30,008	71,806	145,095
Due after 1 month but within 3 months	532	1,064	1,207
Due after 3 months but within 6 months	4,327	8,842	8,071
Due after 6 months but within 9 months	4,454	3,875	2,983
Due after 9 months but within 12 months	4,008	8,342	2,275
Due after 12 months	82,064	124,359	168,218
	125,393	218,288	327,849

20 Employee retirement benefits

Defined contribution retirement plans

Pursuant to the relevant labor rules and regulations in the PRC, the PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions to the schemes based on certain percentages of the eligible employees' salaries. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group has no other material obligation for the payment of pension benefits associated with the Schemes beyond the contributions described above.

21 Income tax in the statements of financial position

(a) Current taxation in the statements of financial position represents:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Provision for PRC income tax	16,783	17,885	23,696
Provisional PRC income tax paid	(11,383)	(11,949)	(15,394)
	5,400	5,936	8,302

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Provision for PRC income tax	4,984	11,942	7,755
Provisional PRC income tax paid	(4,984)	(8,640)	(7,755)
	—	3,302	—

(b) Deferred tax assets and liabilities recognized

The components of deferred tax (assets) / liabilities recognized in the consolidated statements of financial position and the movements during the year are as follows:

The Group

Deferred tax arising from:	Temporary differences on operating rights	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2011	16,026	(72)	15,954
Charged / (credited) to profit or loss	8,197	(10)	8,187
At December 31, 2011 and January 1, 2012	24,223	(82)	24,141
Charged / (credited) to profit or loss	9,896	(976)	8,920
At December 31, 2012 and January 1, 2013	34,119	(1,058)	33,061
Charged / (credited) to profit or loss	13,090	(2,760)	10,330
At December 31, 2013	47,209	(3,818)	43,391

(c) Deferred tax assets not recognized:

The Group has not recognized deferred tax assets in respect of the following items during the Relevant Periods.

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deductible temporary differences arising from impairment of other receivables	9,456	11,060	10,930
Tax losses	30	323	1,383
	9,486	11,383	12,313

The Company

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Deductible temporary differences arising from impairment of other receivables and long-term investment	5,293	6,151	6,151

In accordance with the accounting policy set out in note 1(t), the Group has not recognized deferred tax assets in respect of cumulative tax losses of its subsidiaries and deductible temporary differences as it is not probable that future taxable profits against which the assets can be utilized will be available in the current tax jurisdiction and entities or it is not expected to be realized. The tax losses of the Group's subsidiaries expire in 5 years from the date of the tax losses were incurred, with the following expiry dates:

The Group

	As at December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
In December 2015	28	28	28
In December 2016	2	2	2
In December 2017	—	293	293
In December 2018	—	—	1,060
	30	323	1,383

(d) Deferred tax liabilities not recognized

Temporary differences relating to the undistributed profits of the Group's subsidiaries with investment from Blue-ocean Environment Investment Holding Company Limited amounted to RMB22,715,000, RMB28,767,000 and RMB35,145,000 as at December 31, 2011, 2012 and 2013 respectively. Deferred tax liabilities of RMB2,271,000, RMB2,877,000 and RMB3,515,000 as at December 31, 2011, 2012 and 2013 respectively have not been recognized in respect of the withholding tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

22 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of movements in components of equity of the Company during the Relevant Periods are set out below:

	Note	Capital	Capital reserve	Statutory reserve	(Accumulated losses) / retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011		538,894	844	1,450	(8,923)	532,265
Capital injection	22(c)(i)	151,019	78,981	—	—	230,000
Total comprehensive income for the year		—	—	—	6,703	6,703
Appropriation to statutory reserve	22(d)(ii)	—	—	670	(670)	—
Transfer to retained profits		—	—	(1,450)	1,450	—
At December 31, 2011 and January 1, 2012		689,913	79,825	670	(1,440)	768,968
Total comprehensive income for the year		—	—	—	67,258	67,258
Conversion into joint stock company	22(c)(ii)	10,087	(8,848)	—	(1,239)	—
Appropriation to statutory reserve	22(d)(ii)	—	—	6,726	(6,726)	—
At December 31, 2012 and January 1, 2013		700,000	70,977	7,396	57,853	836,226
Total comprehensive income for the year		—	—	—	71,981	71,981
Appropriation to statutory reserve	22(d)(ii)	—	—	7,198	(7,198)	—
Dividends declared in respect of prior years	22(b)	—	—	—	(14,000)	(14,000)
At December 31, 2013		700,000	70,977	14,594	108,636	894,207

(b) Dividends

On January 20, 2011 and July 15, 2011, Blue-ocean Environment Investment Holding Company Limited declared dividends of HKD108,500,000 (equivalent to approximately RMB90,546,000) to Beijing State-Owned Assets Management (Hong Kong) Company Limited, who was its then equity owner. On June 19, 2013, the Company declared dividend RMB0.20 per ordinary share to its shareholders, which amounted to a total of RMB14,000,000.

Subsequent to December 31, 2013, Yongjia Dynagreen Renewable Energy Co., Ltd. declared dividends of RMB6,000,000 to the Company on April 28, 2014. The directors of the Company proposed a dividend of RMB1 per 10 ordinary shares, amounting to a total of RMB70,000,000 and such dividend distribution was approved by the shareholders of the Company at the annual general meeting of shareholders held on May 28, 2014. The dividend proposed after the end of the reporting period has not been recognized as a liability as at December 31, 2013.

(c) Capital

(i) Registered and paid-in capital

For the purpose of this Financial Information before April 23, 2012, the capital of the Group represents the paid-in capital of the Company.

In May 2011, new investors injected capital of RMB230,000,000 to the Company. The registered and paid-in capital of the Company were increased by HKD180,390,000 (equivalent to approximately RMB151,019,000) to RMB689,913,000. The surplus of capital injection over the increase in paid-in capital amounting to RMB78,981,000.

(ii) Registered and issued share capital

From April 23, 2012, the capital of the Group represents the registered and issued share capital of the Company, which was converted into a joint stock company with limited liability on April 23, 2012 as disclosed in note 1(b).

	No. of shares '000
Ordinary shares, issued and fully paid	
At January 1, 2012	—
Conversion into a joint stock company with limited liability	700,000
At December 31, 2012, January 1, 2013 and December 31, 2013	700,000

The retained profits and capital reserve of the Company upon the conversion were transferred to share capital of the Company accordingly in accordance with the rules and regulations in the PRC.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

The movements in the capital reserve of the Group and the Company mainly represents premium arising from capital injection from equity owners and conversion into joint stock company.

The movement in the capital reserve of the Company also includes the difference between the net assets of Blue-ocean Environment Investment Holding Company Limited acquired (see note 1(b)) which was under common control of the immediate holding company and the cash consideration paid.

(ii) Statutory reserve

As stipulated by regulations in the PRC, each entity of the Group is required to appropriate 10% of its after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent company.

The statutory reserve can be utilized, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Translation reserve

The translation reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than RMB. The reserve is dealt with in accordance with the accounting policy set out in note 1(g).

(e) Distributability of reserves

At December 31, 2011, 2012 and 2013, the aggregate amount of reserves available for distribution to equity owners of the Company, as calculated under the provisions of Company Law of the PRC, were RMBNil, RMB57,853,000 and RMB108,636,000 respectively.

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for its equity owners and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher owners returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except that under certain banking facilities granted to the Company, the Group and certain subsidiaries are subject to the fulfilment of covenants relating to certain financial ratios. The Group will actively and regularly monitor its compliance to such covenants.

23 Acquisition of a subsidiary

On October 17, 2013, the Company acquired the entire equity interest of Fuli from two independent third parties at a consideration of RMB27,050,000.

The fair values of identifiable assets acquired and liabilities assumed from the acquisition are as follows:

	Recognized values on acquisition
	RMB'000
Cash and cash equivalents	20,800
Construction licence*	6,529
Trade and other payables	(279)
Net identifiable assets and liabilities	27,050
Total consideration, satisfied in cash	27,050
Cash acquired	(20,800)
Net cash outflow	6,250

* Construction licence represented the qualification for providing construction project management services as acquired during the acquisition of Fuli.

During the year ended December 31, 2013, the consideration paid by the Company on the acquisition amounted to RMB26,550,000. The remaining consideration of RMB500,000 was fully settled on January 24, 2014.

There was no profit or loss for Fuli as Fuli has not yet commenced any businesses since its establishment on December 15, 2011. There would not be any impact to the Group's consolidated profit before taxation had the acquisition taken place at the beginning of the year ended December 31, 2013.

24 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

Trade receivables of the Group represent receivables in respect of revenue from waste-to-energy project operation services which are settled on a monthly basis. In addition, the Group has gross amounts due from customers for contract work and other receivables in respect of BOT and BT arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for contract work are set out in notes 13 and 15.

At December 31, 2011, 2012 and 2013, trade and other receivables and gross amounts due from customers for contract work of the Group amounted to RMB700,350,000, RMB1,232,047,000 and RMB1,464,115,000 respectively, of which RMB168,248,000, RMB127,491,000 and RMB237,981,000 were due from the largest customer and RMB329,434,000, RMB508,470,000 and RMB574,675,000 were due from five largest customers in aggregate of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since the parties to BOT and BT arrangements are local government authorities in the PRC, the Group considers the credit risk is low.

(b) Liquidity risk

Individual operating entities within the 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 approval by the management and directors of the Company. The Group's policy is to regularly monitor liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The following tables show the remaining contractual maturities at the end of the respective reporting periods of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

The Group

	Total contractual undiscounted cash flow					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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
At 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
At 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

The Company

	Total contractual undiscounted cash flow					Carrying amount on statement of financial position
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2011						
Other payables and accruals	228,169	—	—	—	228,169	228,169
Financial guarantee issued: Maximum amount Guaranteed (note 26)	127,650	—	—	—	127,650	—
At December 31, 2012						
Other payables and accruals	307,061	—	—	—	307,061	307,061
Entrusted and bank loans	215,880	—	—	—	215,880	210,000
	522,941	—	—	—	522,941	517,061
Financial guarantees issued: Maximum amount Guaranteed (note 26)	545,607	—	—	—	545,607	—
At December 31, 2013						
Other payables and accruals	24,324	—	—	—	24,324	24,324
Entrusted and bank loans	330,408	238,918	75,721	197,817	842,864	708,328
	354,732	238,918	75,721	197,817	867,188	732,652
Financial guarantees issued: Maximum amount Guaranteed (note 26)	881,621	—	—	—	881,621	—

(c) Interest rate risk

The Group's interest rate risk arises primarily from the interest-bearing deposits with banks, restricted deposits, other receivables, gross amounts due from customers for contract work, trade payables and loans and borrowings. Borrowings that are at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-bearing trade payables and loans and borrowings less other receivables, restricted deposits, deposits with banks and gross amounts due from customers for contract work) at the end of the reporting period:

The Group

	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

The Company

	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%	508,000
Less: Deposits with banks	3.50%	(5,000)	3.00%	(10,000)	—	—
		(5,000)		(10,000)		508,000
Net variable rate borrowings						
Loans and borrowings	—	—	5.60%	210,000	5.18%-6.96%	200,328
Less: Deposits with banks	0.36%-0.50%	(63,721)	0.35%-0.50%	(5,763)	0.35%-0.39%	(88,410)
Restricted deposits	—	—	0.35%-0.50%	(4,000)	0.39%	(6,000)
Entrusted loan receivables from subsidiaries	—	—	—	—	6.15%-6.55%	(233,000)
		(63,721)		200,237		(127,082)
Total net (deposits) / borrowings		(68,721)		190,237		380,918

(ii) Sensitivity analysis

At December 31, 2011, 2012 and 2013, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately RMB491,000, RMB5,882,000 and RMB5,521,000 respectively. Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the annualized impact on the Group's 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 the Group 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 the Group does not hold any fixed rate instruments which are measured at fair value in the Financial Information. The analysis has been performed on the same basis throughout the Relevant Periods.

(d) Currency risk

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. The Group's transactional currencies are RMB as all the turnover are within the PRC. With the natural hedging of the revenue and costs being denominated in RMB, the Group's transactional foreign exchange exposure was insignificant.

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2011, 2012 and 2013.

(f) Estimation of fair value

The following summaries the major methods and assumptions used in estimating the fair value of financial instruments.

(i) Gross amounts due from customers for contract work

Gross amounts due from customers for contract work are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method.

(ii) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument at the end of the reporting period.

(iii) Bank loans and trade payables

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the end of the reporting period.

25 Commitments

(a) The Group had outstanding purchase commitments in connection with the Group's construction contracts not provided for in the Financial Information of RMB218,356,000, RMB443,900,000 and RMB132,528,000 at December 31, 2011, 2012 and 2013 respectively.

(b) The Group and the Company had outstanding capital commitment relating to the acquisition of Blue-Ocean Environment Investment Holding Company Limited from an equity owner of the Company not provided for in the Financial Information of RMB120,430,000 at December 31, 2012.

(c) The Group and the Company had outstanding capital commitment in connection with the capital contribution to the associate, Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. not provided for in the Financial Information of RMB14,000,000 at December 31, 2012 and 2013.

(d) Operating leases commitments

At December 31, 2011, 2012 and 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	As at December 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	358	362	430
After 1 year but within 5 years	—	5	—
	358	367	430

The Company

	As at December 31,		
	2011	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	174	208	367

The Group and the Company lease a number of properties under operating leases. The leases typically run for an initial period of one to two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

26 Contingent liabilities

At each year end, the Company has issued financial guarantees to banks in respect of the banking facilities granted to certain subsidiaries. The directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company at December 31, 2011, 2012 and 2013 under the guarantees issued is the facility drawn down by the subsidiaries of RMB127,650,000, RMB545,607,000 and RMB881,621,000 respectively.

Due to the related party nature of the instruments, the directors considered it is not practicable to estimate the fair values of the financial guarantees and therefore they have not been recognized in the Financial Information.

27 Material related party transactions

In addition to the related party information disclosed in other parts of the Financial Information, the Group and the Company entered into the following material related party transactions.

(a) Transactions with related parties

The Group

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Disposal of a subsidiary to a fellow subsidiary (note 4)	3,823	—	—
Entrusted loan from equity owners	—	210,000	200,000
Interest paid to equity owners	—	1,611	14,749
Guarantee provided by an equity owner in respect of banking facilities granted to the Company	—	—	622,990
Management fee to Zhengyuan*	1,000	1,000	1,000
Service fee to Zhengyuan	—	702	823
Heating service income from Zhengyuan	1,520	1,250	31
Collection of slag processing fee on behalf of Zhengyuan	1,899	2,093	1,493

* Zhengyuan is the PRC joint venture partner of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. Net profit (after an agreed management fee ranging from RMB500,000 to RMB1,300,000 annually to Zhengyuan) of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. is fully attributable to the Company and Blue-ocean Environment Investment Holding Company Limited.

(b) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,		
	2011	2012	2013
	RMB'000	RMB'000	RMB'000
Short-term employee benefits	5,151	6,769	6,876
Contributions to defined contribution retirement plans	106	117	168
Total	5,257	6,886	7,044

Total remuneration is included in "staff costs" (note 5(b)).

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions with Zhengyuan above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules, details of which are disclosed in the section headed "Connected Transactions" in the Prospectus.

28 Immediate and ultimate controlling party

The directors consider the immediate parent and ultimately controlling party as at December 31, 2011, 2012 and 2013 to be Beijing State-Owned Assets Management Co., Ltd.

29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this Financial Information, the IASB has issued a number of amendments and a new standard, which are not yet effective for the Relevant Periods and which have not been adopted in this Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 10, *Consolidated financial statements*, IFRS 12, *Disclosure of interests in other entities* and IAS 27, *Separate financial statement — Investment entities*	January 1, 2014
Amendments to IAS 36, *Impairment of assets — Recoverable amount disclosure for non-financial assets*	January 1, 2014
Amendments to IAS 32, *Financial instruments: Presentation — Offsetting financial assets and financial liabilities*	January 1, 2014
IFRS 9, *Financial instruments*	Not yet established by the IASB

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C Subsequent financial statements and dividends

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to December 31, 2013. Except as disclosed in note 22(b), no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to December 31, 2013.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong