The following discussion should be read in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2014, 2015 and 2016, together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this Prospectus. Our consolidated financial information has been prepared in accordance with HKFRS which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in the section headed "Risk Factors" in this Prospectus.

OVERVIEW

We are a PRC specialty environmental protection service provider, focused on the biomass and hazardous waste treatment industries. We have leading position in these markets in the PRC, with the fourth largest aggregate biomass power generation designed capacity and the third largest aggregate hazardous waste disposal designed capacity in China as of December 31, 2016 for projects in operation, under construction and at the planning stage, according to Frost & Sullivan. As of the Latest Practicable Date, we had a diversified portfolio of 68 projects, including 24 projects in operation, 14 projects under construction and 30 projects at the planning stage, in the following three business segments:

- *Biomass.* We utilize biomass raw materials, such as agricultural waste and forestry residue, to generate electricity and heat. As of the Latest Practicable Date, we had 37 biomass projects, including seven projects in operation, 12 projects under construction and 18 projects at the planning stage, with an aggregate power generation designed capacity of 810 MW, an aggregate biomass material processing designed capacity of 7,099,800 tons per annum and an aggregate household waste processing designed capacity of 1,679,000 tons per annum.

- *Hazardous waste treatment*. We collect and safely dispose of hazardous waste to minimize its environmental impact. As of the Latest Practicable Date, we had 22 hazardous waste treatment projects, including eight projects in operation, two projects under construction and 12 projects at the planning stage, with an aggregate hazardous waste disposal designed capacity of 504,150 tons per annum.

- *Solar energy and wind power*. We operate solar energy and wind power facilities to generate clean electricity. As of the Latest Practicable Date, we had seven solar energy projects and two wind power projects in operation with an aggregate power generation designed capacity of 125.9 MW.

Our total revenue increased from HK$1,057.8 million in 2014 to HK$1,203.2 million in 2015, and further increased to HK$3,000.1 million in 2016. Our profit for the year increased from HK$199.7 million in 2014 to HK$271.4 million in 2015, and further increased to HK$629.5 million in 2016. Our EBITDA increased from HK$306.4 million in 2014 to HK$441.8 million in 2015, and further increased to HK$982.6 million in 2016.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by the following key factors. Moreover, due to the particular nature of our business, we accounted for certain projects, including substantially all of our biomass projects and certain of our hazardous waste treatment projects, as service concession arrangements under HKFRS. Such accounting treatment and the substantial subjective judgment in connection with such treatment had and will continue to have a material impact on our results of operations and financial position. See "— Impact of Accounting Treatment of Service Concession Arrangements."

Governmental Policies and Support

Governmental policies and regulations play a critical role in our industry and business. With an increased level of environmental awareness in recent years, the PRC government has been active in promoting the growth of the environmental protection industry in general by way of policies and regulations. Our results of operations are highly influenced by and sensitive to changes in these laws and regulations.

We currently benefit from the following governmental policies and support:

- *Preferential on-grid tariffs, mandatory power purchase and grid connection privilege*. The power grid companies are required under the PRC laws to purchase all the electricity generated from biomass, solar energy and wind power facilities such as ours at on-grid tariffs set by the PRC government. We benefit from the higher on-grid tariffs compared to the on-grid tariffs from conventional sources. During the Track Record Period, our average on-grid tariffs were RMB0.75/kWh, RMB2.25/kWh and RMB0.61/kWh for electricity generated by our biomass, solar energy and wind power projects, respectively, as compared to on-grid tariffs for coal-fired power which range between RMB0.30/kWh to RMB0.50/kWh according to Frost & Sullivan. In addition, power grid companies are required under PRC law to give priority to clean energy companies for grid connection.

- *Various tax incentives*. We currently enjoy various preferential tax treatments in China in the form of preferential enterprise income tax rates and VAT refunds. For example, project companies for our biomass, hazardous waste treatment, solar energy and wind power projects are entitled to refunds of up to 100%, 70%, 50% and 50% of the VAT, respectively. For the years ended December 31, 2014, 2015 and 2016, we received VAT refunds in the amount of HK$15.3 million, HK$23.2 million and HK$42.2 million, respectively. For biomass projects, the revenue of an eligible operating company is deemed to be 90% of the actual revenue for the purposes of calculating the amount of their enterprise income taxes, and some of our biomass projects are currently entitled to this treatment. Project companies for our hazardous waste treatment, solar energy and wind power projects are entitled to an enterprise income tax exemption for the first three years after the relevant company generates revenue and a 50% deduction in the following three years. For the years ended December 31, 2014, 2015 and 2016, our effective tax rate was 11.3%, 17.2% and 19.6%, respectively, while the statutory enterprise income tax rate in China was 25.0%.

- *Government subsidies*. We are also entitled to government subsidies from the local governments for our projects. Such subsidies may be applicable to a region or a particular project, as the case may be. For the years ended December 31, 2014, 2015 and 2016, government grant income amounted to HK$1.7 million, HK$5.4 million and HK$15.8 million, respectively.

Moreover, the PRC government has made environmental protection one of its development priorities. Environmental regulatory requirements and enforcement in China, such as emission and pollution control standards, are becoming increasingly stringent. Various laws, regulations and policies were recently adopted by different levels of the PRC government, including the Action Plan to Prevent and Control Air Pollution (大氣污染防治行動計劃) promulgated in September 2013, the amended Environmental Protection Law that became effective in January 2015, and the Guidance on Promoting Agricultural Waste Control and Utilization in Rural Areas (促進農村農業廢棄物控制及利用的指導意見) promulgated in November 2015. Moreover, building an eco-friendly society and environmental protection have been elevated as a national development target and feature prominently as one of the core goals of the 13th Five-Year Plan. According to Frost & Sullivan, investment in the PRC environmental protection industry is expected to grow at a CAGR of 17.5% from RMB1,600.0 billion in 2017 to RMB3,049.4 billion in 2021. We believe that such policy focus and government investment in environmental protection will further improve the prospects of our business and our industry as a whole. Going forward, government policies and regulations relating to environmental protection will continue to have a material effect on our business, financial position, results of operations and prospects.

Pricing and Energy Output of Our Biomass, Solar Energy and Wind Power Projects in Operation

For our biomass, solar energy and wind power projects, we sell electricity to the power grid and receive payments based on the amount of electricity we supply and the applicable on-grid tariffs.

Revenue from electricity sales accounted for approximately 27.6%, 36.7% and 22.0%, respectively, of our total revenue for the years ended December 31, 2014, 2015 and 2016. Since our first biomass project with heat generation systems, the Sucheng Biomass Heat Supply Project, commenced commercial operation in September 2016, we provide heat in the form of steam to industrial customers, and generate operation revenue from payments for sale of steam based on the amount of supply at the applicable local steam supply price. As a result, our revenues depend on the level of on-grid tariffs and steam supply prices and the amount of electricity or steam that we generate and sell.

The level of the on-grid tariffs and steam supply price are set and may be adjusted by the relevant governmental authorities, for which we have no control. The on-grid tariffs are determined and reviewed by the pricing authorities in China uniformly throughout China or the relevant resource zones by reference to energy sources. The level of on-grid tariffs applicable to each source generally reflects the policy support from the PRC government for such energy source. For details regarding pricing policy for on-grid tariffs, see "Regulatory Overview — Policy on Biomass, Solar and Wind Energy." For the Track Record Period, the average on-grid tariffs for electricity generated from our biomass, solar energy and wind power projects were RMB0.75/kWh, RMB2.25/kWh and RMB0.61/kWh, respectively. The steam supply price is generally determined by the local governments, subject to adjustments according to steam supply fees, fuel prices and consumer purchase index in surrounding areas by the local government. See "Business — Our Biomass Business — Revenue Sources and Preferential Policies — Steam supply fees." For our biomass projects, the steam supply prices ranged from RMB202 per ton to RMB240 per ton during the Track Record Period.

The amount of electricity or steam we can sell depends on the aggregate power and steam generation capacity of our projects in operation as well as the actual electricity and steam output efficiency. As of December 31, 2014, 2015 and 2016, the aggregate power generation designed capacity of our projects in operation was 89.9 MW, 185.9 MW and 276.9 MW, respectively. Our first biomass project with heat generation systems, the Sucheng Biomass Heat Supply Project, which commenced commercial operation in September 2016, has a steam generation designed capacity of 350,400 tons per annum. Given the capacity for our biomass projects, a higher utilization rate for our facilities results in higher volume of electricity and steam generated during a given period, and *vice versa*. Utilization of our biomass facilities is primarily affected by the quantity and quality of biomass raw materials available to us, which in turn depends on the available resources and our efficient management of the supply networks. Utilization of our facilities may also be affected by outages and overhauls of our facilities and may be lower during the ramp-up and testing period for facilities that recently start operation. For the years ended December 31, 2014, 2015 and 2016, the utilization rate of our biomass projects in operation was 82.2%, 90.8% and 86.8%, respectively. Output of our solar energy and wind power facilities is primarily affected by the meteorological conditions. Site selection and accurate estimates of the available solar and wind resources are critical to achieving high output for our solar energy and wind power projects.

We believe that the level of on-grid tariffs and steam supply prices will be stable in the near future, and annual output of our solar energy and wind power projects will not fluctuate significantly.

As a result, we expect that the growth in the aggregate power and steam generation capacity for our projects in operation, as well as the utilization rate of our biomass projects, will affect our business, financial position, results of operations and prospects.

Pricing and Capacity of our Hazardous Waste Treatment Projects in Operation

We provide waste treatment services to waste producers, such as industrial companies and hospitals, and receive waste treatment fees based on the unit price and waste volume. For the years ended December 31, 2014, 2015 and 2016, revenue from hazardous waste treatment services accounted for approximately 42.8%, 13.6% and 11.2% of our total revenue, respectively. Our revenues depend on the level of waste treatment fees and the amount and mix of hazardous waste we treat in a given period.

Factors affecting the level of our waste treatment fees include the available treatment capability of the relevant facility, the demand in the local market for waste treatment services, the fees charged by our competitors in nearby regions, and general economic conditions in China and in the regions where we operate. For the years ended December 31, 2014, 2015 and 2016, our average waste treatment fee was RMB1,490.7 per ton, RMB2,171.9 per ton and RMB2,413.6 per ton, respectively. We negotiate fees directly with our customers based on the guidance price set by the local pricing authority, category of hazardous waste to be treated and market conditions. Due to the shortage of treatment capacity, we believe that we currently have leverage to increase the level of hazardous waste treatment fees. In addition, as the price varies according to the type of waste treated, the average waste treatment fees with respect to a period is affected by the mix of hazardous waste we have treated for such period. As the demand for our waste treatment services increases, we plan to allocate our waste treatment capacity to the types of waste with higher prices to the extent practicable in order to improve our profitability.

The volume of hazardous waste treated by us is generally affected by the number, size and mix of waste-producing enterprises in the relevant area, the competitiveness of our pricing, the general economic conditions and the level of industrialization in the area serviced by our facilities. In addition, the waste treatment volume of each of our hazardous waste treatment projects is limited by the relevant approvals for the project. Our hazardous waste projects are located in Jiangsu Province and Shandong Province in East China, the region with the highest volume of hazardous waste output, according to Frost & Sullivan. As there is currently a shortage of hazardous waste processing capacity in this region, according to Frost & Sullivan, the volume of hazardous waste treated by our hazardous waste treatment projects is primarily affected by the aggregate treatment capacity of our projects in operation. As of December 31, 2014, 2015 and 2016, our hazardous waste treatment projects in operation had an aggregate hazardous waste treatment designed capacity of 61,650 tons per annum, 63,650 tons per annum and 130,980 tons per annum, respectively.

Biomass Raw Materials Supply and Pricing

During the Track Record Period, costs of biomass raw materials represented a major component of our direct costs and operating expenses. For the years ended December 31, 2014, 2015 and 2016, our costs for biomass raw materials amounted to HK$119.9 million, HK$186.1 million and HK$269.5 million, respectively, representing approximately 53.4%, 59.8% and 55.7%, respectively, of the direct costs and operating expenses (excluding construction costs) of the Group. As we have little control over the on-grid tariffs for electricity generated by our biomass facilities, the profitability of our biomass facilities in operation may fluctuate according to biomass supply prices.

We primarily contract with third-party local biomass brokers to acquire biomass raw materials, who collect biomass raw materials from individual farmers and transport them to our facilities. The price of biomass raw materials depends on, among others, availability of biomass raw materials in the region, accessibility of the source point, labor costs, economic conditions and governmental support for farmers and brokers for utilizing biomass raw materials. The price also depends on the quality of biomass raw materials, as we adjust our purchase price for each batch of biomass raw materials based on its water and ash content. As we typically enter into short-term supply agreements with biomass brokers, the price is constantly affected by the prevailing market conditions. For the years ended December 31, 2014, 2015 and 2016, the average unit price was RMB261.9 per ton, RMB300.3 per ton and RMB304.9 per ton, respectively. The average unit price of our biomass raw materials has increased as the quality of our biomass raw materials has improved with lower water and ash content. As a result of the higher quality of the biomass raw materials, the average on-grid electricity generated per ton of biomass materials has increased. For the years ended December 31, 2014, 2015 and 2016, the average on-grid electricity generated per ton of biomass materials was 0.75MWh, 0.85MWh and 0.89MWh, respectively. We believe that our ability to efficiently manage our supply networks will continue to affect the price, quality and quantity of biomass raw materials, and in turn affect our results of operation.

The following table sets forth the sensitivity of our profit for the years ended December 31, 2014, 2015 and 2016 in relation to movements in costs of biomass materials for the years indicated:

Increase / (Decrease) of Costs of Biomass Materials	Year ended December 31,					
	2014		2015		2016	
	Changes in Profit	% Change	Changes in Profit	% Change	Changes in Profit	% Change
	(HK$ in thousands, except percentages)					
5%	(6,198)	(3.1)	(9,998)	(3.7)	(13,850)	(2.2)
(5)%	6,198	3.1	9,998	3.7	13,850	2.2

Our Business Expansion and Access to Financing

We have expanded our business during the Track Record Period from a total of 20 projects in operation, under construction and at the planning stage as of January 1, 2014 to 63 as of December 31, 2016. Our results of operations and financial condition are affected by the capacity and growth of our projects. As our capacity increases, our potential electricity sales and waste treatment volume will increase accordingly. From January 1, 2014 to December 31, 2016, the aggregate electricity generation designed capacity of our biomass projects in operation increased from 30 MW to 151 MW, and the aggregate hazardous waste treatment designed capacity of our projects in operation increased from 60,000 tons per annum to 130,980 tons per annum. As a result, we have increased our electricity sales volume and hazardous waste disposal volume during the Track Record Period. In addition, as of the Latest Practicable Date, we also had 44 projects in our pipeline, including 14 projects under construction and 30 projects at the planning stage. As these projects commence commercial operation, we expect them to further contribute to our growth in the future. Going forward, we intend to further expand our business to source additional projects. We may face challenges in identifying appropriate projects which will meet our selection criteria, including the expected rate of return. Our growth also depends on our ability to successfully negotiate, bid or acquire the target projects, navigate local policy and regulatory environments in new areas we may expand into, and compete with existing players in the target markets.

Moreover, all of our projects are capital intensive. For the years ended December 31, 2014, 2015 and 2016, our capital expenditures were HK$797.5 million, HK$1,148.1 million and HK$1,548.8 million, respectively. We expect our capital expenditures for the years ending December 31, 2017, 2018 and 2019 to be HK$3,702.9 million, HK$3,929.7 million and HK$3,994.2 million, respectively, which will be mainly for the construction of new projects in our pipeline. Historically, we financed such expansion through external debts and internally generated cash. For the years ended December 31, 2014, 2015 and 2016, our finance costs, excluding capitalized portion, were HK$26.2 million, HK$41.2 million and HK$67.7 million, respectively. In October 2016, our parent company, CEIL, has signed a Strategic Cooperation Agreement on Supporting the Construction of Eco-friendly Society by Green Financial (綠色金融支援生態環境建設戰略合作協定) with China Development Bank to explore the strategic cooperation between the two parties in energy saving and environmental protection fields. According to this agreement, China Development Bank will provide financial support of RMB20.0 billion to CEIL, of which RMB5.0 billion will be provided to us. As of the Latest Practicable Date, we also had unutilized banking facilities of HK$3,555.9 million. Our ability to secure sufficient external financing and control our finance costs will affect our business, results of operations and profitability.

IMPACT OF THE ACCOUNTING TREATMENT FOR SERVICE CONCESSION ARRANGEMENTS

The accounting treatment of certain of our projects as service concession arrangements has had and will continue to have an impact on our results of operations and financial position. All of our projects under the BOT model were accounted for as service concession arrangements. Based on a case-by-case review, certain of our projects under the BOO model were accounted for as service concession arrangements. Our decision to account for a BOO project as a service concession arrangement involves judgment by our management. See "— Critical Accounting Policies, Estimates and Judgments — Service Concession Arrangements." The impact of the accounting treatment of a project depending on whether it is treated as a service concession arrangement is summarized below.

The following table sets forth a breakdown of our projects, including our projects in operation and projects under construction, by whether they are accounted for as service concession arrangements at the end of the years indicated.

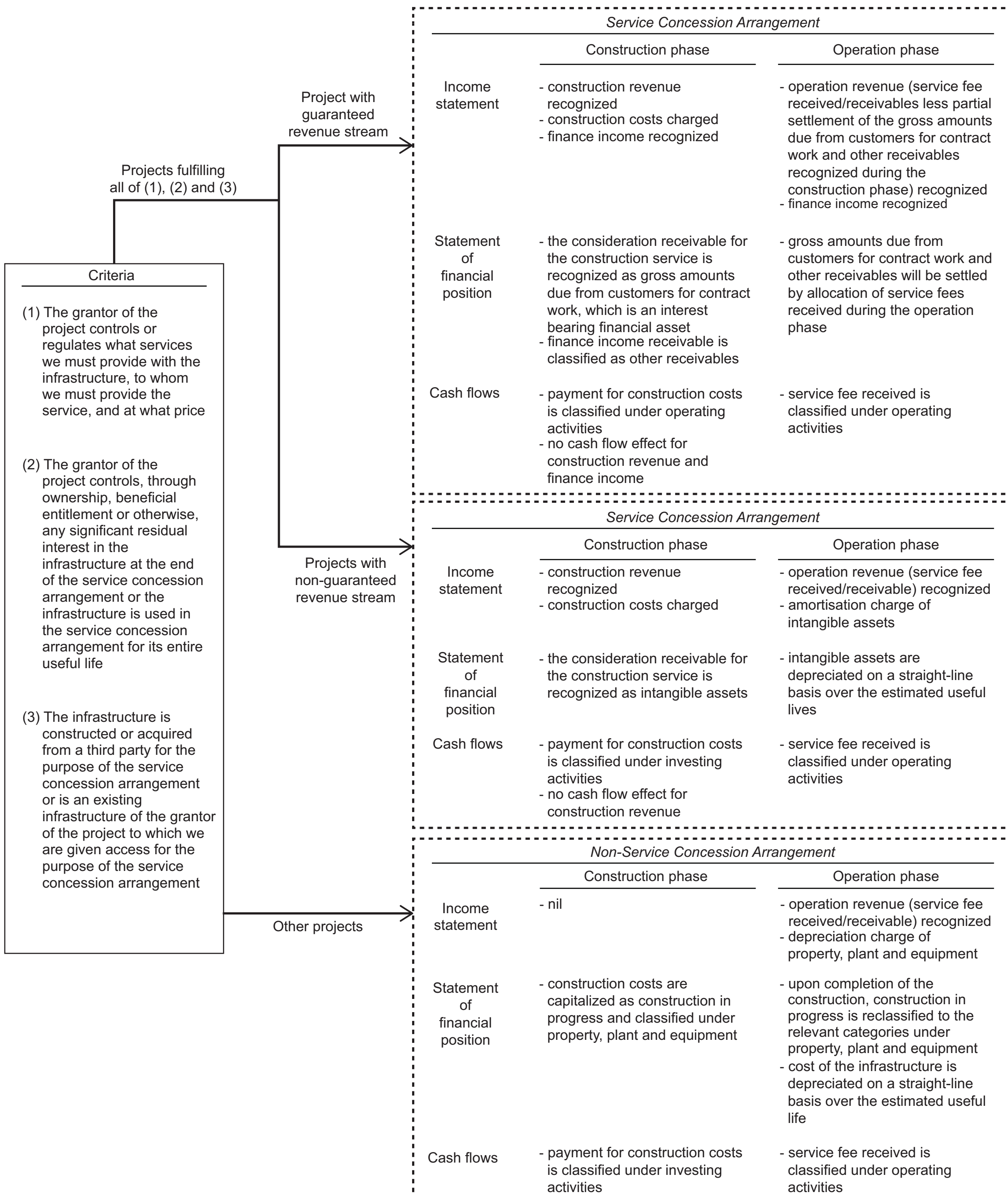
	As of December 31,		
	2014	2015	2016
Service concession arrangements:			
Biomass	2	6	17[(1)]
Hazardous waste treatment	5	6	6[(2)]
Total	**7**	**12**	**23**
Non-service concession arrangements:			
Biomass	—	1	2
Hazardous waste treatment	2	2	4
Solar energy and wind power	9	9	9
Total	**11**	**12**	**15**

Notes:

(1) Includes Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass), Hanshan Biomass Direct Combustion Project, Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project, Dingyuan Biomass Direct Combustion Project, Lingbi Integrated Biomass and Waste-to-Energy Project (Biomass), Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Project (Biomass), Guanyun Integrated Biomass and Waste-to-Energy Project (Biomass), Mianzhu Integrated Biomass and Waste-to-Energy Project (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Project (Biomass) and Yeji Biomass Electricity and Heat Cogeneration Project, all of which are accounted for as service concession arrangements with intangible assets, and Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Lingbi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Xiao County Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Guanyun Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) and Fengyang Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), all of which are accounted for as service concession arrangements with gross amounts due from customers for contract work.

(2) Includes Suzhou Hazardous Waste Landfill Project (Phase I), Suzhou Hazardous Waste Landfill Project (Phase II) and Suqian Hazardous Waste Landfill Project, all of which are accounted for as service concession arrangements with gross amounts due from customers for contract work, and Guanyun Hazardous Waste Landfill Project, Binhai Hazardous Waste Landfill Project, and Xinyi Hazardous Waste Incineration Project, all of which are accounted for as service concession arrangements with intangible assets.

The following chart sets forth a summary of the accounting treatment for service concession arrangements and non-service concession arrangements under HKFRS:



Projects Accounted for as Service Concession Arrangements

For projects accounted for as service concession arrangements, we recognize revenue during both the construction phase and the operational phase. Therefore, there is a mismatch between our revenue and the underlying cash flows for such projects, because we generally do not receive actual payments for our construction services and only receive payments for our operation services.

The following table sets forth our revenue from projects accounted for as service concession arrangements for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Construction service	670,742	68.5	635,210	57.7	2,048,566	76.5
Operation service	294,620	30.1	447,248	40.6	592,519	22.1
Finance income	13,798	1.4	18,728	1.7	36,577	1.4
Total	**979,160**	**100.0**	**1,101,186**	**100.0**	**2,677,662**	**100.0**

For projects accounted for as service concession arrangements, we recognize non-cash revenue during the construction phase which appears on our financial statements as "construction service revenue." Revenue of our construction services for each project is generally recognized as a percentage of the fair value of the completed project based on the progress of construction work, and therefore is mainly affected by the number of projects under construction, the estimated fair value of those projects at completion, and the stage of completion. An increase in the number of projects under construction and progress of construction work for individual projects would lead to an increase of our construction service revenues. As the number of projects under construction depends on the timing of sourcing new pipeline projects and may fluctuate from period to period, revenue from our construction services may fluctuate accordingly. For accounting policies related to construction contracts, see "— Critical Accounting Policies, Estimates and Judgments — Construction Contracts."

We also recognize finance income as other receivables in the statement of financial position during both the operational and construction phases for projects that are accounted for as service concession arrangements with financial assets recorded during the construction phase. Finance income represents the amount of interest accrued on the outstanding balance of the gross amounts due from customers for contract work using the effective interest method at the prevailing PBOC rate at the time we enter into the relevant agreement.

The fair value of our construction services, which is recognized over the construction phase of a project as construction service revenue, is based on the valuation prepared by independent third party valuers, Grant Sherman Appraisal Limited and RHL Appraisal Limited, and is derived from the construction costs estimated by us at the time of valuation plus their respective mark-up, which is determined by the valuer with reference to publicly available information regarding the operating margins of selected comparable companies that provide construction services to similar projects in the PRC. We have established relevant procedures in approving our budgets for construction costs. Once we have identified a new potential project, we will go through our budgeting process and review its potential return. For each potential project, our investment development department will obtain the proposed project specifications such as the expected power or steam generation capacity, waste treatment capacity, and site location from the relevant local government. Based on such specifications, our construction department will prepare a technical plan with respect to each potential project, and our budgeting department will provide an estimate of the total construction costs based on the costs of land, buildings and equipment. Estimated costs for construction of projects typically consist of engineering and installation cost, equipment cost, land cost, staff cost and other cost such as design cost and inspection cost. Our finance management department will adjust variables relating to funding, such as interest rate assumptions to finalize the budget for the relevant project. The entire proposal is submitted to our construction and technical committee for approval relating to the technical aspects, and to our project risk management committee for approval relating to the financial aspects. For all of our projects, the proposal is further submitted to the management committee and the board of directors for approval. After our board of directors approve the budget for construction cost, it will be used by the valuer in determining the valuation of our construction service. In appraising our construction services, Grant Sherman Appraisal Limited and RHL Appraisal Limited also consider, among other things, the amount of investment, capacity, construction period and other characteristics of the construction services, and study the market conditions of projects in the relevant industry. Grant Sherman Appraisal Limited is a professional firm providing valuation and consulting services for a wide range of industries and business functions. Since its establishment in 2002, it has worked with listed companies and private businesses in Hong Kong, Macau, mainland China and other countries. Grant Sherman Appraisal Limited has served as an adviser to companies listed on the Stock Exchange in respect of the provision of similar services. RHL Appraisal Limited is a professional firm focusing on two major core businesses, corporate valuation & advisory and real estate solution & surveying practice, and was founded in Hong Kong in 1972. During the past 45 years, it has provided multiple valuation and advisory services to clients from different backgrounds, including listed companies, companies considering initial public offering in Hong Kong and overseas, immigration firms, solicitors, accountants, banks, financial institutions, real estate developers, government bodies as well as NGOs. According to Grant Sherman Appraisal Limited and RHL Appraisal Limited, the mark-ups for our construction services for purposes of their valuation during the Track Record Period ranged from 14.8% to 25.0%, which were in line with the market norm. Gross profit margin based on the mark-up for our construction services for purposes of their valuation may be different from the actual gross profit margin of our construction services because the actual costs for our construction services may be different from the estimated construction costs used at the time of determining the fair value of our construction services due to the uncertainty in construction work which can be affected by complex construction technologies, geological conditions, weather and other factors which are out of our control and fluctuation in costs of construction contractors and engineering service providers and purchase price for construction materials and equipment during the period from valuation to the commencement of construction, which can be a year or more. Differences between the gross profit margins based on mark-ups for valuation and the actual gross profit margins also arise due to variation in construction costs as a result of changes in sewage treatment system, grid connection or other parts of the facilities which can be affected by many factors during the construction. Cost savings will result in the actual gross profit margin being higher than the gross profit margin based on mark-up while cost overruns will result in the actual gross profit margin being lower than the gross profit margin based on mark-up. During the Track Record Period, our cost overruns and savings ranged between -17.9% (cost overrun) and 13.5% (cost saving) of the estimated construction costs. For the years ended December 31, 2014, 2015 and 2016, the gross profit margin of our construction service for biomass projects amounted up to 29.1%, which was higher than 20.0%, the equivalent gross profit margin of the highest end of the mark-up range (25.0%), primarily due to cost savings of our biomass projects due to our smooth construction progress with little variation claims from our contractors regarding the construction fees, as a result of our efficient management and control of project construction. For the actual gross profit margins of our construction services during the Track Record Period, see "— Description of Selected Income Statement Line Items — Gross Profit."

The following table sets forth the sensitivity of our construction service revenue for the years ended December 31, 2014, 2015 and 2016 in relation to movements in the mark-ups of our construction services for the respective years indicated:

	Year ended December 31,					
	2014		2015		2016	
Increase / (Decrease) of Mark ups	Changes in Construction Service Revenue	% Change	Changes in Construction Service Revenue	% Change	Changes in Construction Service Revenue	% Change
	(HK$ in thousands, except percentage)					
5%	28,672	4.3	26,503	4.2	76,257	3.7
3%	17,203	2.6	15,902	2.5	45,754	2.2
1%	5,734	0.9	5,301	0.8	15,251	0.7
(1)%	(5,734)	(0.9)	(5,301)	(0.8)	(15,251)	(0.7)
(3)%	(17,203)	(2.6)	(15,902)	(2.5)	(45,754)	(2.2)
(5)%	(28,672)	(4.3)	(26,503)	(4.2)	(76,257)	(3.7)

While we record revenue on the income statement during the construction phase, we record the relevant construction contracts in progress at the end of the reporting period in the statement of financial position either as "intangible assets" or "gross amounts due from customers for contract work" depending on whether the revenue stream under the relevant construction contract is guaranteed. If the revenue stream is not guaranteed, the construction contracts will be recorded as "intangible assets" and if the revenue stream under the construction contracts is guaranteed, the construction contracts will be recorded as "gross amounts due from customers for contract work." See "— Critical Accounting Policies, Estimates and Judgments — Construction Contracts."

For projects accounted for as service concession arrangements with intangible assets recorded during the construction phase, such as most of our biomass projects (other than the waste-to-energy portion), the entire service fees we receive during the operational phase will be recorded as revenue from operation services, while the intangible assets we record in relation to the revenue generated from construction services will be amortized over the estimated useful life on a straight-line basis. See "— Critical Accounting Policies, Estimates and Judgments — Intangible Assets."

With respect to each project accounted for as a service concession arrangement with financial assets recorded during the construction phase, we recognize construction revenue as gross amounts due from customers for contract work during the construction phase, and recognize finance income as other receivables during both the operational and construction phases. Finance income represents the amount of interest accrued on the outstanding balance of the gross amounts due from customers for contract work using the effective interest method at the prevailing PBOC rate at the time we enter into the relevant agreement. The interest rates ranged from 5.15% to 6.91% per annum during our Track Record Period. The financial assets, which consist of gross amounts due from customers for contract work and other receivables, are offset by a portion of cash receipt generated as service fee (recorded as progress billings) on a straight-line basis during the operational phase such that the balance of the relevant financial assets will be reduced to zero at the end of the concession period. The remaining portion of the cash receipt generated as service fee is then recorded as operation revenue. As such, upon the commencement of the operational phase, based on the total balance of the financial assets with respect to a project as of that time, the amount of cash receipt to be allocated to offset the financial assets for each year over the remaining concession period is fixed, while the actual cash receipt from our operation services may fluctuate from period to period.

For projects with construction revenue recognized as intangible assets, the intangible assets are amortized on a straight-line basis over the period of their useful lives. Accordingly, upon the commencement of the operational phase, assuming the operating scale and pricing of operation services remain the same each year, the revenue, which only consists of income generated from operation services, is expected to remain stable over the operational phase. For projects with construction revenue recognized as financial assets, operation revenue accounts for the majority of the revenue during the operational phase while finance income accounts for the remainder. Finance income decreases as the outstanding balances of the financial assets decrease over the operational phase. Accordingly, upon the commencement of the operational phase, assuming the operating scale and pricing of operation services remain the same each year, the revenue, which consists of operation service revenue and finance income, is expected to decrease over the operational phase.

Intangible assets and gross amounts due from customers for contract work are subject to impairment testing when there is an impairment indicator. An example of an impairment indicator is the case that we do not receive sufficient cash payments during the operational phase if the relevant project does not materialize or if the actual cash receipts in the operational phase are smaller than expected. Besides, intangible assets that are not yet available for use are subject to impairment testing throughout the concession period of which the recoverable amount is estimated annually as to whether or not there is any indication of impairment. See "— Critical Accounting Policies, Estimates and Judgments — Impairment of Receivables," "— Critical Accounting Policies, Estimates and Judgments — Impairment of Other Assets," and "Risk Factors — Risks Relating to Our Business and Industry — Our results may fluctuate due to our accounting treatment with respect to service concession arrangements." We did not incur any impairment or write-offs related to insufficient cash payments in the operational phases of our projects accounted for as service concession arrangements during the Track Record Period.

Most of our biomass projects and some of our hazardous waste treatment projects as of the Latest Practicable Date are accounted for as service concession arrangements. The construction contracts for the biomass portion of our integrated biomass and waste-to-energy projects and some of our hazardous waste treatment projects are recorded under "intangible assets," while the construction contracts for the waste-to-energy portion of our integrated biomass and waste-to-energy projects and some of our hazardous waste treatment projects are recorded under "gross amounts due from customers for contract work". The following table sets forth a breakdown of the intangible assets and gross amounts due from customers for contract work with respect to projects accounted for as service concession arrangements as of the dates indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Intangible assets[(1)]:			
BOT projects	435,102	460,570	498,271
BOO projects	923,700	1,201,059	2,477,543
	1,358,802	1,661,629	2,975,814
Gross amounts due from customers for contract work[(2)]:			
BOT projects	58,014	44,450	35,335
BOO projects	118,986	329,332	770,169
	177,000	373,782	805,504

Notes:

(1) Include Dangshan Integrated Biomass and Waste-to-Energy Project (Biomass), Hanshan Biomass Direct Combustion Project, Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project, Dingyuan Biomass Direct Combustion Project, Lingbi Integrated Biomass and Waste-to-Energy Project (Biomass), Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Project (Biomass), Guanyun Integrated Biomass and Waste-to-Energy Project (Biomass), Mianzhu Integrated Biomass and Waste-to-Energy Project (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Project (Biomass) and Yeji Biomass Electricity and Heat Cogeneration Project, Guanyun Hazardous Waste Landfill Project, Binhai Hazardous Waste Landfill Project and Xinyi Hazardous Waste Incineration Project.

(2) Include Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Lingbi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Xiao County Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Guanyun Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Fengyang Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Suzhou Hazardous Waste Landfill Project (Phase I), Suzhou Hazardous Waste Landfill Project (Phase II) and Suqian Hazardous Waste Landfill Project.

The following table sets forth a breakdown of construction revenue recorded under intangible assets and gross amounts due from customers for contract work for projects accounted for as service concession arrangements during the Track Record Period.

Construction revenue recorded as additions to:	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Intangible assets	670,742	401,090	1,533,543
Gross amounts due from customers for contract work	—	234,120	515,023
Total	670,742	635,210	2,048,566

The following roll forward table sets forth the movement in the balances of intangible assets during the Track Record Period. Construction revenue allocated to the intangible assets is shown as the "additions" in the following roll forward table which increase the balance of the intangible assets.

	Intangible Assets		
	Biomass project operating rights	Hazardous waste treatment project operating rights	Total
	(HK$ in thousands)		
Cost:			
At January 1, 2014	692,062	83,130	775,192
Exchange adjustments	(20,986)	(5,776)	(26,762)
Additions	312,994	357,748	670,742
At December 31, 2014	984,070	435,102	1,419,172
Accumulated amortization:			
At January 1, 2014	38,463	—	38,463
Exchange adjustments	(1,225)	—	(1,225)
Charge for the year	23,132	—	23,132
At December 31, 2014	60,370	—	60,370
Net book value:			
At December 31, 2014	923,700	435,102	1,358,802
Cost:			
At January 1, 2015	984,070	435,102	1,419,172
Exchange adjustments	(50,396)	(18,801)	(69,197)
Additions	356,821	44,269	401,090
At December 31, 2015	1,290,495	460,570	1,751,065
Accumulated amortization:			
At January 1, 2015	60,370	—	60,370
Exchange adjustments	(3,418)	—	(3,418)
Charge for the year	32,484	—	32,484
At December 31, 2015	89,436	—	89,436
Net book value:			
At December 31, 2015	1,201,059	460,570	1,661,629

	Intangible Assets		
	Biomass project operating rights	Hazardous waste treatment project operating rights	Total
	(HK$ in thousands)		
Cost:			
At January 1, 2016	1,290,495	460,570	1,751,065
Exchange adjustments	(151,501)	(34,001)	(185,502)
Additions	1,456,593	76,950	1,533,543
At December 31, 2016	2,595,587	503,519	3,099,106
Accumulated amortization:			
At January 1, 2016	89,436	—	89,436
Exchange adjustments	(7,563)	(249)	(7,812)
Charge for the year	36,171	5,497	41,668
At December 31, 2016	118,044	5,248	123,292
Net book value:			
At December 31, 2016	2,477,543	498,271	2,975,814

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that intangible assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the intangible assets' 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. As of December 31, 2014, 2015 and 2016, there were certain projects that had not commenced operation, the amounts of the project operating rights of these projects were HK$435.1 million , HK$806.4 million and HK$894.9 million, respectively.

The recoverable amount of each of these operating rights recognized as intangible assets was determined based on value-in-use calculations, i.e. the present value of the future cash flows expected to be derived from the projects. The cash flow projections are based on the most recent financial budgets approved by the senior management covering a budget period of five years. The financial budgets are prepared primarily based on the service agreements governing the relevant projects together with key assumptions such as utilization rates and gross profit margins that represent the senior management's best estimate of the set of economic conditions that will exist over the period. Such key assumptions are supported by historical data of existing projects with similar production capacity, technologies and type of biomass materials processed or hazardous waste treated.

For example, the utilization rate and gross profit margins used for determining the recoverable amount of our biomass project operating rights are supported by our existing biomass facilities' historical utilization rates which in turn are primarily affected by the quality and conversion rates of the biomass raw materials available to us, as well as our historical tariffs and our cost of biomass materials. We expect our historical utilization rate to be a reasonable indication of our utilization rate going forward because we have been able to effectively control the quality of the biomass raw materials available to us and we have been able to maintain a relatively stable conversion rate based on our quality control measures and the mature technologies we employ at our biomass facilities; as such, we do not expect any material change in the quality and conversion rate of our biomass raw materials as well as the utilization rate of our biomass facilities. We expect our historical gross profit margins to be a reasonable indication of our gross profit margins going forward because we have been able to maintain tariffs at a stable level and we have been able to effectively control the cost of our biomass materials as a result of our comprehensive and robust biomass supply networks. See "Business — Our Biomass Business — Our Biomass Supply Networks."

The cash flow projections beyond the budget period are extrapolated using an estimated inflation rate of 2% which does not exceed the average long-term growth rates for the industry in which the projects operate. Two of our main revenue sources, namely, on-grid tariff as set by the Government and hazardous waste treatment fee as agreed between us and the industrial companies and medical institutions with reference to fee guidance by the Government, are subject to adjustments by the Government based on a number of factors such as inflation and market conditions. Our material costs and labor costs are also linked to inflation. Discount rates of 13.5% to 14.3% have been adopted for the value-in-use calculations during the Track Record Period. Discount rates used are the pre-tax rates that reflect the current market assessments of the time value of money and the specific risks relating to the relevant project operating rights. In determining the discount rate, we assumed a constant level of gearing throughout the cash flow forecast period, including in the terminal value. Our cost of capital, incremental borrowing rate and other market borrowing rates have been taken into consideration. We have also made reference to discount rates adopted by certain other companies in the environmental protection industry in the PRC and considered our discount rate to be within the range of rates used by those companies.

The following table sets forth the movement in the balance of gross amounts due from customers for contract work during the Track Record Period. Construction revenue allocated to gross amounts due from customers for contract work as shown in the following roll forward table increases the balance of gross amounts due from customers for contract work while part of the future service fee received during the operational phase will be allocated to progress billings to settle the gross amounts due from customers for contract work.

	Gross Amounts due from Customers for Contract Work		
	Biomass project operating rights	Hazardous waste treatment project operating rights	Total
	(HK$ in thousands)		
At January 1, 2014	—	207,760	207,760
Construction revenue for the year	—	—	—
Progress billings for the year	—	(25,676)	(25,676)
Exchange adjustments	—	(5,084)	(5,084)
At December 31, 2014	—	177,000	177,000
At January 1, 2015	—	177,000	177,000
Construction revenue for the year	234,120	—	234,120
Progress billings for the year	—	(23,790)	(23,790)
Exchange adjustments	(7,182)	(6,366)	(13,548)
At December 31, 2015	226,938	146,844	373,782
At January 1, 2016	226,938	146,844	373,782
Construction revenue for the year	506,982	8,041	515,023
Progress billings for the year	(14,973)	(22,067)	(37,040)
Exchange adjustments	(37,166)	(9,095)	(46,261)
At December 31, 2016	681,781	123,723	805,504

Projects Not Accounted for as Service Concession Arrangements

Our revenue from projects not accounted for as service concession arrangements for the years ended December 31, 2014, 2015 and 2016 was HK$78.6 million, HK$102.0 million and HK$322.5 million, respectively.

For projects not accounted for as service concession arrangements, we do not record any revenue during the construction phase and only recognize revenue when our services are rendered during the operational phase. See "— Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — Revenue from operation services." In particular, revenues are recognized when we receive on-grid tariffs generated from our facilities, or when our hazardous waste treatment services are rendered. The amount of such revenue is recorded in our consolidated income statement as revenue from operation services.

During the construction phase, costs related to the construction of our facilities are capitalized as property, plant and equipment or interest in leasehold land held for own use under operating leases.

Depreciation of such property, plant and equipment is recognized in profit or loss on a straight-line basis over their estimated useful lives. See "— Critical Accounting Policies, Estimates and Judgments — Property, Plant and Equipment." Amortization of interest in leasehold land held for own use under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease term.

The accounting treatment for projects not accounted for as service concession arrangements does not involve any estimations or recognitions of construction revenues.

Project Mix

As revenues from construction services accounted for a relatively large portion of our total revenues during the Track Record Period and the profit margin of our construction services is typically lower than that of our operation services, the mix of projects accounted for as service concession arrangements and the other projects had a material effect on our revenue and profit margin during the Track Record Period. As of the Latest Practicable Date, we had 44 pipeline projects, including 14 projects under construction and 30 projects at the planning stage, most of which are currently accounted for, or are expected to be accounted for, as service concession arrangements. As a result, we believe that the mix of projects under construction and in operation will continue to have a similar effect on our revenue and profit margin, and our results of operations may continue to fluctuate according to the number, fair value and construction stage of the projects accounted for as service concession arrangements during a given period.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared using the merger basis of accounting as if we had always been in existence. CEIL controlled the companies now comprising the Group before the Reorganization and continued to control these companies after the Reorganization. The control is not transitory and therefore the Reorganization has been accounted for as business combination of entities under common control. The consolidated statements of financial position, consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated cash flow statements for the years ended December 31, 2014, 2015 and 2016 have been prepared as if the current group structure had been in existence throughout the Track Record Period. All material intra-group balances, transactions and cash flows have been eliminated in preparing the financial information.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In such cases, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 1 and 2 to the Accountants' Report in Appendix I to this Prospectus.

Service Concession Arrangements

We entered into projects under BOT and BOO models. We concluded that all of our projects under the BOT model and certain of our projects under BOO model are service concession arrangements. The determination is primarily based on whether the local government, which is the grantor of the service concession arrangements for our projects, controls and regulates the services that we must provide with the infrastructure and whether it does so at a pre-determined service charge. For our projects under BOT model accounted for as service concession arrangements, the relevant infrastructure has to be transferred to the local government at nil consideration upon expiry of the applicable agreement. For our projects under BOO model accounted for as service concession arrangements, the relevant infrastructure is used under the arrangement for its entire or substantial useful life. Accordingly, at the end of the service concession period, the residual value of the relevant infrastructure under BOO model will become zero and the relevant infrastructure would not be recognized as property, plant and equipment on our consolidated statement of financial position. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements" and "Business — Our Customers — BOO and BOT Models."

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 the major structural elements of the design.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognized profit less recognized losses and progress billings, and are presented in the statement of financial position either as "gross amounts due from customers for contract work" or "intangible assets" (as an asset) or the "gross amounts due to customers for contract work" (as a liability), as applicable. The determination as to whether "gross amounts due from customers for contract work" or "intangible assets" should be recorded is based on whether there is minimum guaranteed future revenue stream under the relevant service concession arrangement. If there is a minimum guaranteed future revenue stream, we will record it as "gross amounts due from customers for contract work." Otherwise, we will record it as "intangible assets."

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 based on the latest available information. The final outcome with respect to each project is determined based on the fair value of the completed project as appraised by external valuers. The fair value of construction services is determined based on appraisals by third party valuers at the inception of service concession arrangements. The independent valuer assesses the fair value of construction service based on the budgeted construction costs and estimated return on cost for the projects, which will be considered as mark-ups for our projects. We estimate the budgeted construction cost based on our assessment of market conditions, cost of raw materials and equipment, and other operating costs, among other factors. In order to assess the estimated return on cost, the independent valuer would make reference to the relevant operating margins as of the valuation dates of comparable companies providing similar construction services. The stage of completion is assessed by reference to the work performed according to the surveyors. When the final 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.

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 our recent experience and the nature of the construction activity undertaken by us, we make estimates of the point at which we consider 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" will not include profit which we 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.

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 us and the revenue and costs, if applicable, can be measured reliably, revenue is recognized in profit or loss as follows.

Revenue from construction services

Revenue relating to construction services under a service concession arrangement is recognized consistent with our accounting policy on recognizing revenue from construction contracts. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements" and "— Construction Contracts." We do not recognize revenue from construction services for projects not accounted for as service concession arrangements.

Revenue from operation services

Revenue from operation services for projects not accounted for as service concession arrangements is recognized when the related services are rendered.

For projects accounted for as service concession arrangements, operation service revenue is recognized in the period in which services are provided by us. The consideration received is allocated by reference to the relative fair values of the services delivered. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements."

Finance income

Finance income is recognized on projects accounted for as service concession arrangements, which are accrued using the effective interest method on the outstanding balance of the gross amounts due from customers for contract work at the prevailing PBOC rate at the time that we enter into the relevant agreement. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements."

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 we will comply with the conditions attaching to them. Grants that compensate us 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 us for the cost of an asset are recognized initially as deferred income and amortized to profit or loss on a straight-line basis over the useful life of the asset.

Intangible Assets

Intangible assets represent operating rights of certain biomass and hazardous waste treatment projects accounted for as service concession arrangements. See "— Construction Contracts." The intangible assets are stated at cost less accumulated amortization and impairment losses. Amortization of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets are amortized from the date they are available for use and their estimated useful lives are as follows:

Type	Useful Life
Biomass project operating rights	30 years
Hazardous waste treatment project operating rights	20 to 30 years

Both the period and method of amortization are reviewed annually.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

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:

Type of Property	Useful Life
• Buildings situated on leasehold land	Shorter of the unexpired term of lease and the estimated useful lives, from 20 to 50 years
• Plant and machinery	5 to 25 years
• Leasehold improvements	10 years or over the remaining term of the lease, if shorter
• Furniture and fixtures	5 to 10 years
• Motor vehicles, electronic equipment and others	3 to 12 years

No depreciation is provided in respect of construction in progress.

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.

Impairment of Receivables

Current and non-current receivables 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 our attention 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 of trade and other receivables is determined and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition of the relevant 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.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of debtors included within debtors, other receivables, deposits and prepayments, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When we are satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors 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.

We estimate impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. We base the estimates on the aging 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.

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:

- property, plant and equipment;

- pre-paid interests in leasehold land classified as being held under an operating lease;

- intangible assets; and

- interest in a joint venture.

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.

If circumstances indicate that the carrying values of property, plant and equipment, interest in leasehold land held for own use under operating leases, intangible assets, interest in a joint venture and other financial assets may not be recoverable, these assets may be considered impaired, and an impairment loss may be recognized in accordance with HKAS 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 of disposal and the value in use. It is difficult to estimate precisely fair values because quoted market prices for our 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. We use 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.

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 other 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. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.

Income Tax Provisions

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. We carefully evaluate 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. As those deferred tax assets can only be recognized 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 each 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.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

Revenue

The following table sets forth a breakdown of our revenue by segment for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Biomass	532,641	50.4	946,320	78.7	2,449,253	81.6
Hazardous waste treatment	453,091	42.8	164,194	13.6	335,763	11.2
Solar energy and wind power	72,052	6.8	92,684	7.7	215,115	7.2
Total	**1,057,784**	**100.0**	**1,203,198**	**100.0**	**3,000,131**	**100.0**

Biomass Business

The following table sets forth a breakdown of revenue from our biomass business by revenue source for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Construction service	312,994	58.8	590,941	62.4	1,963,575	80.2
Operation service	219,647	41.2	348,989	36.9	459,840	18.8
Finance income	—	—	6,390	0.7	25,838	1.0
Total	**532,641**	**100.0**	**946,320**	**100.0**	**2,449,253**	**100.0**

Revenue from our biomass business includes the revenue we record for the construction service, operation service and finance income. Most of our biomass projects are accounted for as service concession arrangements. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements." Revenue from our operation service primarily consists of on-grid tariffs we receive from local power grid companies for sales of electricity under the relevant power purchase agreements. We also receive waste treatment fees for the treatment of household waste from the local government under the relevant investment or concession agreements for our integrated biomass and waste-to-energy projects, although we expect this revenue to account for a relatively small portion of our total revenue. For our biomass cogeneration projects, we receive steam supply fees from customers for sales of steam under the relevant steam supply agreements. Our revenues from our biomass business are mainly driven by on-grid tariffs, steam prices, and the actual amount of electricity and steam generated by our biomass facilities, which in turn depends on the total number and capacity of our projects and their operating efficiency. We also record finance income which is related to the gross amounts due from customers for contract work recorded for the construction service of our projects accounted for as service concession arrangements. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements."

The following table sets forth certain operating data for our biomass projects for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Number of projects under construction at year end	—	5	12
Projects in operation:			
Designed capacity at year end (MW)	60.0	60.0	151
Electricity sold (MWh)	271,167	440,641	618,718
Average on-grid tariff (RMB/kWh)	0.75	0.75	0.75

Hazardous Waste Treatment Business

The following table sets forth a breakdown of our revenue from our hazardous waste treatment business by revenue source for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Construction service	357,748	79.0	44,269	27.0	84,991	25.3
Operation service	81,545	18.0	107,587	65.5	240,033	71.5
Finance income	13,798	3.0	12,338	7.5	10,739	3.2
Total	**453,091**	**100.0**	**164,194**	**100.0**	**335,763**	**100.0**

Revenue from our hazardous waste treatment business includes the revenue we record for the construction service and operation service and finance income. Most of our hazardous waste treatment projects are accounted for as service concession arrangements. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements." Revenue from our operation services primarily consists of waste treatment fees received from our customers, which are mainly driven by the level of unit waste treatment fees and the actual amount and mix of waste treated by us. Payment of waste treatment fees we will receive for the services provided by our hazardous waste treatment facilities accounted for as service concession arrangements will first be deducted to offset the gross amounts due from customers for contract work we have recorded in relation to the revenue generated from construction services allocated to the applicable period. See "— Impact of Accounting Treatment of Service Concession Arrangements." We also record finance income which is related to the gross amounts due from customers for contract work recorded for the construction service of our projects accounted for as service concession arrangements. See "— Impact of the Accounting Treatment for Service Concession Arrangement — Projects Accounted for as Service Concession Arrangements."

The following table sets forth certain operating data for our hazardous waste treatment projects for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Number of projects under construction at year end	3	4	2
Projects in operation:			
Designed capacity at year end (tons per annum)	61,650	63,650	130,980
Received waste (tons)	60,740.3	52,340.7	99,639.7
Average waste treatment fee (RMB/ton)	1,490.7	2,171.9	2,413.6

Solar Energy and Wind Power Business

Revenue from our solar energy and wind power business for the years ended December 31, 2014, 2015 and 2016 were HK$72.1 million, HK$92.7 million and HK$215.1 million, respectively. None of our solar energy and wind power projects are accounted for as service concession arrangements and therefore we only record revenue after the projects commence operation. Such revenue primarily consists of on-grid tariffs we receive from local power grid companies for sales of electricity under the relevant power purchase agreements, and is mainly driven by on-grid tariffs and the actual amount of electricity generated by our solar energy and wind power facilities, which in turn depends on the total number and capacity of our projects and their respective operating efficiency since the power grid companies need to purchase all of our electricity generated. As of the Latest Practicable Date, all of our solar energy and wind power projects are in operation and we do not have any such project under construction or at the planning stage.

The following table sets forth certain operating data for our solar energy and wind power projects for the years indicated:

	Year ended December 31,		
	2014	**2015**	**2016**
Solar energy			
Designed capacity at year end (MW)	29.9	29.9	29.9
Electricity sold (MWh)	29,829	28,909	28,134
Average on-grid tariff (RMB/kWh)	2.25	2.23	2.27
Wind power			
Designed capacity at year end (MW)	—	96	96
Electricity sold (MWh)	—	41,586	244,556
Average on-grid tariff (RMB/kWh)	—	0.61	0.61

Direct Costs and Operating Expenses

Our direct costs and operating expenses primarily consist of construction cost, cost of biomass raw materials, amortization of intangible assets, depreciation for property, plant and equipment, repair and maintenance fees and staff cost. The following table sets forth the components of our direct costs and operating expenses for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Construction cost	540,365	70.7	457,282	59.5	1,525,139	75.9
Material costs	123,955	16.2	199,961	26.0	277,006	13.8
Amortization of intangible assets	23,132	3.0	32,484	4.2	41,668	2.1
Depreciation	26,004	3.4	30,612	4.0	71,275	3.5
Repair and maintenance expenses	10,190	1.3	12,575	1.7	15,554	0.8
Operational staff cost	5,380	0.7	7,174	0.9	18,305	0.9
Others	35,694	4.7	28,574	3.7	59,673	3.0
Total	**764,720**	**100.0**	**768,662**	**100.0**	**2,008,620**	**100.0**

The following table sets forth our direct costs and operating expenses by business segment for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Biomass	391,792	51.2	664,060	86.4	1,790,176	89.1
Hazardous waste treatment	348,554	45.6	72,426	9.4	147,853	7.4
Solar energy and wind power	24,374	3.2	32,176	4.2	70,591	3.5
Total	**764,720**	**100.0**	**768,662**	**100.0**	**2,008,620**	**100.0**

Gross Profit

Gross profit from operations represents the excess of revenue over direct costs and operating expenses. Since the gross profit margin of operation services and construction services are similar for our biomass business, gross profit margin of our biomass business fluctuated but remained relatively stable during the Track Record Period despite the fluctuation in the proportion of construction service revenue and operation service revenue. In comparison, gross profit margin of our hazardous waste treatment business fluctuated significantly during the Track Record Period as a result of changes in the number of projects under construction accounted for as service concession arrangements because gross profit margin for construction service revenue is much lower than gross profit margin for operation service revenue for our hazardous waste treatment business. Gross profit margin of our solar energy and wind power business remained relatively stable during the Track Record Period and the increase in 2016 compared to 2015 was due to the revenue generation by Ningwu Wind Power Projects since September 2015.

The following table sets forth our gross profit and gross profit margin by business segment for the years indicated:

	Year ended December 31,								
	2014			2015			2016		
	Gross Profit	% of Total	Margin %	Gross Profit	% of Total	Margin %	Gross Profit	% of Total	Margin %
	(HK$ in thousands, except percentages)								
Biomass	140,849	48.0	26.4	282,260	65.0	29.8	659,077	66.5	26.9
Hazardous waste treatment	104,537	35.7	23.1	91,768	21.1	55.9	187,910	18.9	56.0
Solar energy and wind power	47,678	16.3	66.2	60,508	13.9	65.3	144,524	14.6	67.2
Total	**293,064**	**100.0**	**27.7**	**434,536**	**100.0**	**36.1**	**991,511**	**100.0**	**33.0**

The following table sets forth a breakdown of our gross profit and gross profit margin by stage of projects, i.e. construction stage and operation stage (finance income is recognized during both construction and operation stages), for the years indicated:

	Year ended December 31,								
	2014			2015			2016		
	Gross Profit	% of Total	Margin %	Gross Profit	% of Total	Margin %	Gross Profit	% of Total	Margin %
	(HK$ in thousands, except percentage)								
Construction revenue	130,377	44.5	19.4	177,928	40.9	28.0	523,427	52.8	25.6
Operation revenue	148,889	50.8	39.9	237,880	54.8	43.3	431,507	43.5	47.2
Finance income	13,798	4.7	—	18,728	4.3	—	36,577	3.7	—
Total	**293,064**	**100.0**	**27.7**	**434,536**	**100.0**	**36.1**	**991,511**	**100.0**	**33.0**

During the Track Record Period, the gross profit margin of construction services for our biomass business was higher than that for our hazardous waste treatment business, because the construction of biomass projects involved more complex construction technologies and equipment than that of hazardous waste treatment projects which resulted in higher construction costs, and thus higher construction service revenues, for our biomass projects as compared to our hazardous waste treatment projects. Over the same period, gross profit margin of operation services for our biomass business was lower than that of our hazardous waste treatment business mainly due to the purchase costs of raw materials for the operation of biomass projects. The following table sets forth our gross profit and gross profit margin by nature of services provided for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	Margin %	Amount	Margin %	Amount	Margin %
	(HK$ in thousands, except percentage)					
Construction services:						
Biomass	78,913	25.2	171,911	29.1	511,898	26.1
Hazardous waste treatment	51,464	14.4	6,017	13.6	11,529	13.6
	130,377	19.4	177,928	28.0	523,427	25.6
Operation services:						
Biomass	61,936	28.2	103,959	29.8	121,341	26.4
Hazardous waste treatment	39,275	48.2	73,413	68.2	165,642	69.0
Solar energy and wind power	47,678	66.2	60,508	65.3	144,524	67.2
	148,889	39.9	237,880	43.3	431,507	47.2
Finance income	13,798	—	18,728	—	36,577	—
Total	**293,064**	**27.7**	**434,536**	**36.1**	**991,511**	**33.0**

Other Revenue

Our other revenue primarily consists of refund of VAT, interest income, government grants and others. Our biomass project companies are entitled to refunds of up to 100% of the VAT. Our hazardous waste treatment project companies are entitled to refunds of up to 70% of the VAT. Our solar energy project companies and wind power project companies are entitled to refunds of up to 50% of the VAT. Government subsidy income is primarily related to (i) government grants for biomass raw materials used by us, and (ii) government subsidies for our investments in new projects and acquisition of properties, plant and equipment. Refunds of VAT and government grants for biomass usage are generally dependent on our business volume, while government grants with respect to project investment may fluctuate from period to period depending on the new projects we source. Interest income relates to interest on our bank deposits and amounts due from fellow subsidiaries.

The following table sets forth the components of our other revenue for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**
	(HK$ in thousands, except percentages)					
VAT refund	15,282	70.4	23,209	61.3	42,249	62.2
Interest income	3,229	14.9	7,105	18.8	5,615	8.3
Government grants	1,737	8.0	5,444	14.4	15,750	23.2
Others	1,445	6.7	2,100	5.5	4,283	6.3
Total	**21,693**	**100.0**	**37,858**	**100.0**	**67,897**	**100.0**

Other Loss

Our other loss primarily consists of losses we incur as a result of our disposal of property, plant and equipment, which represent obsolete equipment that have been sold for scrap and replaced by upgraded equipment. Our other loss represented an insignificant portion of our revenue throughout the Track Record Period.

Administrative Expenses

Our administrative expenses primarily comprise salaries, marketing expenses, exchange gains and losses, depreciation of property, plant and equipment, office expenses, legal and professional fee, property management fee, vehicle expenses, other miscellaneous charges and taxes and other expenses. For the years ended December 31, 2014, 2015 and 2016, our administrative expenses represented 6.0%, 8.5% and 6.6%, respectively, of our total revenue.

The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Salaries	17,328	27.3	30,211	29.7	52,620	26.6
Marketing expenses	8,184	12.9	11,297	11.1	20,846	10.5
Exchange loss	3,990	6.3	9,728	9.6	12,653	6.4
Depreciation of property, plant and equipment	5,428	8.5	9,256	9.1	14,325	7.2
Amortization of interest in leasehold land held for own use under operating leases	588	0.9	549	0.5	4,239	2.1
Office expenses	4,481	7.1	7,228	7.1	8,595	4.4
Legal and professional fee	1,635	2.6	6,527	6.4	39,124	19.8
Property management fee	3,296	5.2	4,505	4.4	11,185	5.7
Vehicle expenses	3,438	5.4	3,966	3.9	10,276	5.2
Miscellaneous charges and taxes	6,698	10.6	7,211	7.1	6,186	3.1
Others	8,359	13.2	11,232	11.1	17,698	9.0
Total	**63,425**	**100.0**	**101,710**	**100.0**	**197,747**	**100.0**

Finance Costs

Our finance costs primarily consist of interest on bank loans and on borrowings from our affiliates. Our finance costs exclude capitalized interest expenses. For the years ended December 31, 2014, 2015 and 2016, our finance costs represented 2.5%, 3.4% and 2.3% of our revenue, respectively.

Income Tax

Our income tax represents enterprise income tax expenses, withholding tax expenses payable on undistributed profits to non-PRC residents by our subsidiaries in China, and tax effect of temporary differences on revenue recognition. For the years ended December 31, 2014, 2015 and 2016, our effective tax rate was 11.3%, 17.2% and 19.6%, respectively.

Hong Kong. Our subsidiaries incorporated in Hong Kong were subject to a profit tax at the rates of 16.5% in the years ended December 31, 2014, 2015 and 2016. No provision for Hong Kong profit tax was made as we had no estimated assessable profits arising from Hong Kong during the Track Record Period.

PRC. Our income tax provision in respect of operations in the PRC was calculated at the tax rate of 25% on the estimated assessable profits for each of the years ended December 31, 2014, 2015 and 2016. Taxable income of our biomass project companies was calculated by taking into account 90% of the actual revenue for purposes of calculating the amount of their EIT. During the Track Record

Period, certain of our hazardous waste treatment project companies and solar energy and wind power project companies were exempt from EIT or entitled to a 50% deduction. See "— Factors Affecting Our Results of Operations — Governmental Policies and Support." We reversed an over-provision of income tax in the amount of HK$13.7 million in 2014, which represented a tax refund received by us in respect of an approval obtained for tax concession of a hazardous waste treatment project, for which the relevant amount of tax was previously paid and provided for.

Profit for the Year

Our profit for the years ended December 31, 2014, 2015 and 2016 was HK$199.7 million, HK$271.4 million and HK$629.5 million, respectively, which included our non-controlling interests. Our net profit margin was 18.9%, 22.6% and 21.0%, respectively, for the same years.

OTHER FINANCIAL MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also use EBIT and EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our operating performance. We also believe that these financial measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

EBIT represents profit or loss before income tax and finance costs. EBITDA represents profit or loss before income tax, finance costs, depreciation of property, plant and equipment, and amortization of interest in leasehold land held for own use under operating leases and intangible assets.

The use of EBIT and EBITDA has certain limitations because it does not reflect all items of income and expenses that affect our operations. Items excluded from EBIT and EBITDA are significant components in understanding and assessing our operating and financial performance. Income tax expense, finance costs, depreciation of property, plant and equipment and amortization of interest in leasehold land held for own use under operating leases and intangible assets have been and may continue to be incurred in our business. Each of these items should also be considered in the overall evaluation of our results. Additionally, EBIT and EBITDA do not consider changes in working capital, capital expenditures and other investing activities and should not be considered as a measure of our liquidity. The terms EBIT and EBITDA are not defined under HKFRS, and EBIT and EBITDA are not measures of profit for the year, operating profit or liquidity presented in accordance with HKFRS.

We compensate for these limitations by reconciling the financial measures to the nearest HKFRS performance measure, all of which should be considered when evaluating our performance. The following table reconciles our EBIT and EBITDA for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Profit for the year	199,677	271,444	629,522
Income tax	25,373	56,302	153,873
Finance costs	26,228	41,202	67,715
EBIT	**251,278**	**368,948**	**851,110**
Depreciation of property, plant and equipment	31,432	39,868	85,600
Amortization of interest in leasehold land held for own use under operating leases	588	549	4,239
Amortization of intangible assets	23,132	32,484	41,668
EBITDA	**306,430**	**441,849**	**982,617**

In light of the foregoing limitations for other financial measures, when assessing our operating and financial performance, you should not consider EBIT and EBITDA in isolation or as a substitute for our profit for the year, operating profit or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because these measures may not be calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies.

RESULTS OF OPERATIONS

The following table sets forth our consolidated income statement for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
Revenue	1,057,784	100.0	1,203,198	100.0	3,000,131	100.0
Direct costs and operating expenses	(764,720)	(72.3)	(768,662)	(63.9)	(2,008,620)	(67.0)
Gross profit	293,064	27.7	434,536	36.1	991,511	33.0
Other revenue	21,693	2.1	37,858	3.2	67,897	2.3
Other loss	(54)	(0.0)	(1,275)	(0.1)	(9,684)	(0.3)
Administrative expenses	(63,425)	(6.0)	(101,710)	(8.5)	(197,747)	(6.6)
Profit from operations	251,278	23.8	369,409	30.7	851,977	28.4
Finance costs	(26,228)	(2.5)	(41,202)	(3.4)	(67,715)	(2.3)
Share of loss of a joint venture	—	—	(461)	(0.0)	(867)	(0.0)
Profit before taxation	225,050	21.3	327,746	27.3	783,395	26.1
Income tax	(25,373)	(2.4)	(56,302)	(4.7)	(153,873)	(5.1)
Profit for the year	199,677	18.9	271,444	22.6	629,522	21.0

Non-HKFRS Measures

	Year ended December 31,					
	2014		2015		2016	
	Amount	%[(2)]	Amount	%[(2)]	Amount	%[(2)]
	(HK$ in thousands, except percentages)					
EBIT[(1)]	251,278	23.8	368,948	30.7	851,110	28.4
EBITDA[(1)]	306,430	29.0	441,849	36.7	982,617	32.8

Notes:

(1) For a reconciliation of EBIT and EBITDA to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year, see "— Other Financial Measures."

(2) EBIT margin is calculated by dividing EBIT by revenue. EBITDA margin is calculated by dividing EBITDA by revenue.

Year Ended December 31, 2016 Compared with Year Ended December 31, 2015

Revenue. Our revenue increased by 149.3% from HK$1,203.2 million for the year ended December 31, 2015 to HK$3,000.1 million for the year ended December 31, 2016, primarily due to increases in operation revenues from all of our business segments and increase in construction revenues from our biomass business and hazardous waste treatment business.

Biomass business. Revenue generated from our biomass business increased by 158.8% from HK$946.3 million for the year ended December 31, 2015 to HK$2,449.3 million for the year ended December 31, 2016, primarily due to an increase in construction revenues related to our biomass pipeline projects that commenced construction in 2016, including Lingbi Integrated Biomass and Waste-to-Energy Projects, Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Projects, Guanyun Integrated Biomass and Waste-to-Energy Projects, Mianzhu Integrated Biomass and Waste-to-Energy Projects (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Projects and Yeji Biomass Electricity and Heat Cogeneration Project, and an increase in operation revenues from our biomass projects that commenced operation or started to generate operation revenue in 2016, including Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project, Dingyuan Biomass Direct Combustion Project, Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) and Huaiyuan Biomass Direct Combustion Project.

Hazardous waste treatment business. Revenue generated from our hazardous waste treatment business increased by 104.5% from HK$164.2 million for the year ended December 31, 2015 to HK$335.8 million for the year ended December 31, 2016, primarily due to an increase in our construction revenues related to our Xinyi Hazardous Waste Incineration Project which commenced construction in the second half of 2015, and an increase in operation revenues from our hazardous waste treatment projects in operation, in particular, Suzhou Hazardous Waste Landfill Projects, Binhai Hazardous Waste Landfill Project, Guanyun Hazardous Waste Landfill Project and Suqian Hazardous Waste Landfill Project as a result of increases in the volume of hazardous waste we received for treatment.

Solar energy and wind power business. Revenue generated from our solar energy and wind power business increased by 132.1% from HK$92.7 million for the year ended December 31, 2015 to HK$215.1

million for the year ended December 31, 2016, primarily due to our Ningwu Wind Power Projects which started generating revenue since September 2015.

Direct costs and operating expenses. Our direct cost and operating expenses increased by 161.3% from HK$768.7 million for the year ended December 31, 2015 to HK$2,008.6 million for the year ended December 31, 2016, primarily due to an increase in our construction costs related to our pipeline biomass projects and hazardous waste treatment projects that commenced construction in 2016.

Biomass business. Direct costs and operating expenses for our biomass business increased by 169.6% from HK$664.1 million for the year ended December 31, 2015 to HK$1,790.2 million for the year ended December 31, 2016, primarily due to an increase in our construction costs related to our biomass pipeline projects that commenced construction in 2016 including Lingbi Integrated Biomass and Waste-to-Energy Projects, Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Projects, Guanyun Integrated Biomass and Waste-to-Energy Projects, Mianzhu Integrated Biomass and Waste-to-Energy Projects (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Projects and Yeji Biomass Electricity and Heat Cogeneration Project.

Hazardous waste treatment business. Direct costs and operating expenses for our hazardous waste treatment business increased by 104.3% from HK$72.4 million for the year ended December 31, 2015 to HK$147.9 million for the year ended December 31, 2016, primarily due to an increase in our construction costs related to our Xinyi Hazardous Waste Incineration Project which commenced construction in the second half of 2015.

Solar energy and wind power business. Direct costs and operating expenses for our solar energy and wind power business increased by 119.3% from HK$32.2 million for the year ended December 31, 2015 to HK$70.6 million for the year ended December 31, 2016, primarily due to an increase in operational expenses related to our Ningwu Wind Power Projects which started generating revenue since September 2015.

Gross profit. As a result of the foregoing, our gross profit increased by 128.2% from HK$434.5 million for the year ended December 31, 2015 to HK$991.5 million for year ended December 31, 2016. Our gross profit margin decreased from 36.1% for year ended December 31, 2015 to 33.0% for year ended December 31, 2016, primarily because a higher proportion of the revenue recognized during the year ended December 31, 2016 was from our construction service, which had a lower gross profit margin compared to operation service revenue, while a lower portion of the revenue recognized during the year ended December 31, 2015 was from our construction service.

Biomass business. Gross profit from our biomass business increased by 133.5% from HK$282.3 million for the year ended December 31, 2015 to HK$659.1 million for the year ended December 31, 2016 primarily due to an increase in our construction revenues related to our biomass pipeline projects that commenced construction in 2016 including Lingbi Integrated Biomass and Waste-to-Energy Projects, Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Projects, Guanyun Integrated Biomass and Waste-to-Energy Projects, Mianzhu Integrated Biomass and Waste-to-Energy Projects (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Projects and Yeji Biomass Electricity and Heat Cogeneration Project. Gross profit margin of our biomass business decreased from 29.8% for the year ended December 31, 2015 to 26.9% for the year ended December 31, 2016, primarily because a higher proportion of revenue recognized during the year ended December 31, 2016 was from our construction service, which had a lower gross profit margin compared to operation service revenue.

Hazardous waste treatment business. Gross profit from our hazardous waste treatment business increased by 104.8% from HK$91.8 million for the year ended December 31, 2015 to HK$187.9 million for the year ended December 31, 2016, primarily due to an increase in our construction revenues related to our Xinyi Hazardous Waste Incineration Project which commenced construction in the second half of 2015 and better performance of our projects in operation, in particular, Suzhou Hazardous Waste Landfill Projects, Binhai Hazardous Waste Landfill Project, Guanyun Hazardous Waste Landfill Project and Suqian Hazardous Waste Landfill Project as a result of increases in the volume of hazardous waste we received for treatment. Gross profit margin of our hazardous waste treatment business remained stable being 55.9% for the year ended December 31, 2015 and 56.0% for the year ended December 31, 2016.

Solar energy and wind power business. Gross profit from our solar energy and wind power business increased by 138.9% from HK$60.5 million for the year ended December 31, 2015 to HK$144.5 million for the year ended December 31, 2016, primarily due to revenues generated by our Ningwu Wind Power Projects since September 2015. Gross profit margin from our solar energy and wind power business slightly increased from 65.3% for the year ended December 31, 2015 to 67.2% for the year ended December 31, 2016 as the gross profit margin of wind power projects is generally higher than that of solar energy projects.

Other revenue. Our other revenue increased by 79.3% from HK$37.9 million for the year ended December 31, 2015 to HK$67.9 million for the year ended December 31, 2016, primarily due to an increase in VAT refund related to our hazardous waste treatment projects.

Other loss. Our other loss increased from HK$1.3 million for the year ended December 31, 2015 to HK$9.7 million for the year ended December 31, 2016, primarily due to a net loss incurred on our disposal of property, plant and equipment, which represented obsolete equipment that we sold for scrap.

Administrative expenses. Our administrative expenses increased by 94.4% from HK$101.7 million for the year ended December 31, 2015 to HK$197.7 million for the year ended December 31, 2016, primarily due to an increase in staff costs in line with our business expansion and further expenses incurred with the Global Offering. Our administrative expenses accounted for 8.5% and 6.6%, respectively, of our total revenue for the year ended December 31, 2015 and 2016. The decrease in such percentage was primarily due to an increase in the number of projects that were under construction, which incurred lower administrative expenses as compared to projects that were in operation, during the year ended December 31, 2016.

Finance costs. Our finance costs increased by 64.3% from HK$41.2 million for the year ended December 31, 2015 to HK$67.7 million for the year ended December 31, 2016, primarily due to an increase in bank loans incurred for our pipeline projects.

Income tax. Our income tax increased by 173.3% from HK$56.3 million for the year ended December 31, 2015 to HK$153.9 million for the year ended December 31, 2016, and our effective tax rate increased from 17.2% for the year ended December 31, 2015 to 19.6% for the year ended December 31, 2016, primarily because certain of our project companies were entitled to enterprise income tax exemption during the year ended December 31, 2015 but were only entitled to 50% deduction of enterprise income tax in accordance with the relevant PRC tax preferential treatment, such as Suzhou Hazardous Waste Landfill Project (Phase II) and deferred tax increased due to more projects under construction during the year ended December 31, 2016.

Profit for the year. As a result of the foregoing, our profit increased by 131.9% from HK$271.4 million for the year ended December 31, 2015 to HK$629.5 million for the year ended December 31, 2016. Our net profit margin slightly decreased from 22.6% for the year ended December 31, 2015 to 21.0% for the year ended December 31, 2016.

EBITDA. As a result of the foregoing, our EBITDA increased by 122.4% from HK$441.8 million for the year ended December 31, 2015 to HK$982.6 million for the year ended December 31, 2016. Our EBITDA margin decreased from 36.7% for the year ended December 31, 2015 to 32.8% for the year ended December 31, 2016, primarily due to a higher portion of construction revenue, which had a lower margin compared to operation service revenue, recognized during the year ended December 31, 2016.

Biomass business. EBITDA of our biomass business increased by 121.8% from HK$300.6 million for the year ended December 31, 2015 to HK$666.7 million for the year ended December 31, 2016, primarily due to an increase in our construction revenues related to our biomass pipeline projects that commenced construction in 2016 including Lingbi Integrated Biomass and Waste-to-Energy Projects, Nanqiao Biomass Direct Combustion Project, Xiao County Integrated Biomass and Waste-to-Energy Projects, Guanyun Integrated Biomass and Waste-to-Energy Projects, Mianzhu Integrated Biomass and Waste-to-Energy Projects (Biomass), Fengyang Integrated Biomass and Waste-to-Energy Projects and Yeji Biomass Electricity and Heat Cogeneration Project. EBITDA margin of our biomass business decreased from 31.8% for the year ended December 31, 2015 to 27.2% for the year ended December 31, 2016, primarily due to a higher proportion of construction revenue, which had a lower margin compared to operation service revenue, recognized during the year ended December 31, 2016 related to our biomass pipeline projects that commenced construction in 2016.

Hazardous waste treatment business. EBITDA of our hazardous waste treatment business increased by 129.8% from HK$82.2 million for the year ended December 31, 2015 to HK$188.8 million for the year ended December 31, 2016, primarily due to an increase in our construction revenues related to our Xinyi Hazardous Waste Incineration Project which commenced construction in the second half of 2015 and general improvement in operational performance of our hazardous waste treatment projects.

EBITDA margin of our hazardous waste treatment business increased from 50.0% for the year ended December 31, 2015 to 56.2% for the year ended December 31, 2016, primarily due to a general improvement in operational performance of our hazardous waste treatment projects.

Solar energy and wind power business. EBITDA of our solar energy and wind power business increased by 155.9% from HK$77.7 million for the year ended December 31, 2015 to HK$198.8 million for the year ended December 31, 2016, primarily due to revenues generated by our Ningwu Wind Power Projects since September 2015. EBITDA margin for our solar energy and wind power business increased from 83.8% for the year ended December 31, 2015 to 92.4% for the year ended December 31, 2016, primarily due to an increase in revenues generated by our Ningwu Wind Power Projects since September 2015 which had a higher margin compared to our solar energy projects.

Year Ended December 31, 2015 Compared with Year Ended December 31, 2014

Revenue. Our revenue increased by 13.7% from HK$1,057.8 million for the year ended December 31, 2014 to HK$1,203.2 million for the year ended December 31, 2015, primarily due to the increases in revenue generated from our biomass business which was partly offset by the decreases in revenue generated from hazardous waste treatment business.

Biomass business. Our revenue generated from our biomass business increased by 77.7% from HK$532.6 million for the year ended December 31, 2014 to HK$946.3 million for the year ended December 31, 2015, primarily due to an increase in operation service revenue generated by our Hanshan Biomass Direct Combustion Project which commenced operation in August 2014 and an increase in construction service revenue related to our Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project and Dingyuan Biomass Direct Combustion Project, all of which commenced construction in 2015.

Hazardous waste treatment business. Our revenue generated from hazardous waste treatment business decreased by 63.8% from HK$453.1 million for the year ended December 31, 2014 to HK$164.2 million for the year ended December 31, 2015, primarily because HK$357.7 million construction service revenue was recognized in 2014 mainly related to Binhai Hazardous Waste Landfill Project and Guanyun Hazardous Waste Landfill Project which were under construction in 2014, while only HK$44.3 million construction service revenue was recognized in 2015 as most construction of the relevant projects had been completed before 2015, which was offset by a small amount of increase in operation service revenue recognized in 2015 due to increases in the hazardous waste treatment fees.

Solar energy and wind power business. Our revenue generated from our solar energy and wind power business increased by 28.6% from HK$72.1 million for the year ended December 31, 2014 to HK$92.7 million for the year ended December 31, 2015, primarily due to our Ningwu Wind Power Projects which started generating revenue since September 2015.

Direct costs and operating expenses. Our direct costs and operating expenses remained relatively stable for the year ended December 31, 2015 being HK$768.7 million as compared to HK$764.7 million for the year ended December 31, 2014.

Biomass business. Direct costs and operating expenses for our biomass business increased by 69.5% from HK$391.8 million for the year ended December 31, 2014 to HK$664.1 million for the year ended December 31, 2015, which was in line with the increases in operation service and construction service of our biomass business in 2015.

Hazardous waste treatment business. Direct costs and operating expenses for our hazardous waste treatment business decreased by 79.2% from HK$348.6 million for the year ended December 31, 2014 to HK$72.4 million for the year ended December 31, 2015, primarily due to decreases in construction services of our hazardous waste treatment business in 2015.

Solar energy and wind power business. Direct costs and operating expenses for our solar energy and wind power business increased by 32.0% from HK$24.4 million for the year ended December 31, 2014 to HK$32.2 million for the year ended December 31, 2015, primarily due to the operating costs and expenses related to our Ningwu Wind Power Projects which started generating revenue since September 2015.

Gross profit. As a result of the foregoing, our gross profit increased by 48.3% from HK$293.1 million for the year ended December 31, 2014 to HK$434.5 million for the year ended December 31, 2015. Our gross profit margin increased from 27.7% for the year ended December 31, 2014 to 36.1% for the year ended December 31, 2015, primarily because a higher portion of the revenue recognized in 2015 was from our operation service, which had a higher gross profit margin compared to construction service revenue, while a lower portion of the revenue recognized in 2014 was from our operation service.

Biomass business. Gross profit from our biomass business increased by 100.4% from HK$140.8 million for the year ended December 31, 2014 to HK$282.3 million for the year ended December 31, 2015, primarily due to increases in operation service revenue in 2015 as a result of our Hanshan Biomass Direct Combustion Project which commenced operation in August 2014 and increases in construction service revenue related to certain of our biomass projects which commenced construction in 2015. Gross profit margin of our biomass business increased to 29.8% for the year ended December 31, 2015 from 26.4% for the year ended December 31, 2014.

Hazardous waste treatment business. Gross profit from our hazardous waste treatment business decreased by 12.2% from HK$104.5 million for the year ended December 31, 2014 to HK$91.8 million for the year ended December 31, 2015, primarily due to decreases in our construction service revenue in 2015. Gross profit margin of our hazardous waste treatment business increased from 23.1% for the year ended December 31, 2014 to 55.9% for the year ended December 31, 2015, primarily due to a higher proportion of operation service revenue which had a higher gross profit margin recognized in 2015 as compared to 2014.

Solar energy and wind power business. Gross profit from our solar energy and wind power business increased by 26.9% from HK$47.7 million for the year ended December 31, 2014 to HK$60.5 million for the year ended December 31, 2015, primarily due to our Ningwu Wind Power Projects which started generating revenue since September 2015. Gross profit margin from our solar energy and wind power business remained relatively stable which was 65.3% for the year ended December 31, 2015 as compared to 66.2% for the year ended December 31, 2014.

Other revenue. Our other revenue increased by 74.5% from HK$21.7 million for the year ended December 31, 2014 to HK$37.9 million for the year ended December 31, 2015, primarily due to increases in government subsidy related to our Hanshan Biomass Direct Combustion Project, which commenced operation in August 2014 and increase in VAT refund related to our hazardous waste treatment projects as a result of amendment in PRC regulations regarding the method of VAT refund, and an increase in bank interest income due to increases in our bank deposits.

Other loss. Our other loss increased from HK$0.05 million for the year ended December 31, 2014 to HK$1.3 million for the year ended December 31, 2015, primarily due to a net loss incurred on disposal of property, plant and equipment in 2015 as a result of our sale of obsolete equipment for scrap.

Administrative expenses. Our administrative expenses increased by 60.4% from HK$63.4 million for the year ended December 31, 2014 to HK$101.7 million for the year ended December 31, 2015, primarily due to an increase in staff costs in line with our business expansion.

Finance costs. Our finance costs increased by 57.1% from HK$26.2 million for the year ended December 31, 2014 to HK$41.2 million for the year ended December 31, 2015, primarily due to an increase in our borrowings in line with our business expansion.

Income tax. Our income tax increased by 121.9% from HK$25.4 million for the year ended December 31, 2014 to HK$56.3 million for the year ended December 31, 2015, and our effective tax rate increased from 11.3% to 17.2%, primarily due to the reversal of an over-provision of income tax as a result of the income tax refund received in 2014 in respect of an approval obtained for tax concession of a hazardous waste treatment project, for which the relevant amount of tax was previously paid and provided for, which reduced our income tax amount for the year ended December 31, 2014.

Profit for the year. As a result of the foregoing, our profit for the year increased by 35.9% from HK$199.7 million for the year ended December 31, 2014 to HK$271.4 million for the year ended December 31, 2015. Our net profit margin increased from 18.9% for the year ended December 31, 2014 to 22.6% for the year ended December 31, 2015.

EBITDA. As a result of the foregoing, our EBITDA increased by 44.2% from HK$306.4 million for the year ended December 31, 2014 to HK$441.8 million for the year ended December 31, 2015. Our EBITDA margin increased from 29.0% for the year ended December 31, 2014 to 36.7% for the year ended December 31, 2015, primarily due to a higher portion of operation service revenue recognized in 2015, which had a higher gross profit margin compared to the construction service revenue.

Biomass business. EBITDA of our biomass business increased by 96.4% from HK$153.1 million for the year ended December 31, 2014 to HK$300.6 million for the year ended December 31, 2015, primarily due to increases in operation service revenue in 2015 as a result of our Hanshan Biomass Direct Combustion Project which commenced operation in August 2014 and increases in construction service revenue related to certain of our biomass projects which commenced construction in 2015. EBITDA margin of our biomass business remained relatively stable, which was 31.8% for the year ended December 31, 2015 as compared to 28.7% for the year ended December 31, 2014.

Hazardous waste treatment business. EBITDA of our hazardous waste treatment business decreased by 10.8% from HK$92.1 million for the year ended December 31, 2014 to HK$82.2 million for the year ended December 31, 2015, primarily due to decreases in our construction service revenue in 2015. EBITDA margin of our hazardous waste treatment business increased from 20.3% for the year ended December 31, 2014 to 50.0% for the year ended December 31, 2015, primarily due to a higher portion of operation service revenue, which had a higher margin compared to the construction service revenue, being recognized in 2015.

Solar energy and wind power business. EBITDA of our solar energy and wind power business increased by 23.1% from HK$63.1 million for the year ended December 31, 2014 to HK$77.7 million for the year ended December 31, 2015, primarily due to our Ningwu Wind Power Projects which started generating revenue since September 2015. EBITDA margin for our solar energy and wind power business decreased slightly from 87.6% for the year ended December 31, 2014 to 83.8% for the year ended December 31, 2015, primarily due to the lower margin of our new wind power projects as typically projects generate lower profit margin at the beginning of their operation and generate higher margin as the operation of projects becomes more mature.

SEGMENT INFORMATION

We operate the following business segments: (i) our biomass business, with revenue derived from construction and operation; (ii) our hazardous waste treatment business, with revenue derived from construction and operation; and (iii) our solar energy and wind power business, with revenue derived from operation. The following table sets forth the revenue and EBITDA by segment for the years ended December 31, 2014, 2015 and 2016:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Biomass			
Revenue	532,641	946,320	2,449,253
EBITDA(1)	153,068	300,613	666,684
Hazardous Waste Treatment			
Revenue	453,091	164,194	335,763
EBITDA(1)	92,142	82,156	188,799
Solar Energy and Wind Power			
Revenue	72,052	92,684	215,115
EBITDA(1)	63,113	77,693	198,805

Note:

(1) The segment EBITDA does not include unallocated head office and corporate income and expenses.

We generated most of our revenues from China during the Track Record Period with a relatively small portion of our revenues generated from one solar energy project located in Germany. The following table sets forth a breakdown of our revenues by geography for the years indicated:

	Year ended December 31,					
	2014		2015		2016	
	Amount	%	Amount	%	Amount	%
	(HK$ in thousands, except percentages)					
China	1,050,338	99.3	1,196,696	99.5	2,994,136	99.8
Germany	7,446	0.7	6,502	0.5	5,995	0.2
Total	**1,057,784**	**100.0**	**1,203,198**	**100.0**	**3,000,131**	**100.0**

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

We have historically met our working capital and other capital requirements principally from cash flow generated from our operating activities and debt financing. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flow generated from our operating activities, debt financing and the proceeds from this Global Offering. The following table presents selected cash flow data from our consolidated cash flow statements for the years indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Net cash generated from/(used in) operating activities	313,523	(29,870)	500,455
Net cash used in investing activities	(1,018,824)	(1,099,716)	(1,617,632)
Net cash generated from financing activities	964,006	1,624,084	996,604
Net increase/(decrease) in cash and cash equivalents	258,705	494,498	(120,573)
Cash and cash equivalents at the beginning of the year	318,433	569,142	1,044,475
Effect of foreign exchange rates change	(7,996)	(19,165)	(37,692)
Cash and cash equivalent at the end of the year	**569,142**	**1,044,475**	**886,210**

Net cash generated from/(used in) operating activities

During the Track Record Period, our cash from operating activities consisted primarily of on-grid tariffs from sales of electricity generated by our biomass, solar energy and wind power projects and waste treatment fees we received for our hazardous waste treatment services. Cash flow from operating activities reflects (i) profit before taxation, (ii) adjustment for non-cash and non-operating items, such as depreciation and amortization, finance cost, interest income and effect of foreign exchange rate changes, (iii) the effects of movements in working capital, such as increases or decreases in inventories, debtors, other receivables, deposits and prepayments, gross amounts due from customers for contract work and creditors, other payables and accrued expenses, and (iv) other cash items such as interest received and income tax paid or refunded. Decrease in inventories, debtors, other receivables, deposits and prepayments and gross amounts due from customers and increases in creditors, other payables and accrued expenses will positively affect our cash flow from operation activities, and *vice versa*. For our projects accounted for as service concession arrangements, with respect to a period, we recognize revenue for construction services on our income statement and record intangible assets or gross amounts due from customers for contract work at the end of such period on the statement of financial position. However, these items will not have an impact on our cash flows after the adjustments described above. See "— Impact of Accounting Treatment of Service Concession Arrangements."

For the year ended December 31, 2016, our net cash generated from operating activities was HK$500.5 million, which was primarily attributable to our profit before tax of HK$783.4 million, as adjusted by positive effects of HK$190.2 million for non-cash and non-operating items and negative effects of HK$439.6 million arising out of movements in working capital, and further positively adjusted by interest received in the amount of HK$5.6 million and negatively adjusted by income tax paid of HK$39.1 million. The positive adjustment of HK$190.2 million for our non-cash and non-operating items for the year ended December 31, 2016 consisted primarily of (i) depreciation of HK$85.6 million for our property, plant and equipment, (ii) finance costs of HK$67.7 million related to our borrowings, and (iii) amortization of intangible assets of HK$41.7 million related to the construction service revenue recognized for our biomass projects. The negative effects of HK$439.6 million on our cash flow arising out of movements in working capital for the year ended December 31, 2016 were primarily due to (i) an increase of HK$129.0 million in debtors, other receivables, deposits and prepayments due primarily to increase in debtors as trade receivables related to certain of our operating projects, including Ningwu Wind Power Projects and (ii) an increase of HK$456.5 million in gross amounts due from customers for contract work due primarily to recognition of construction revenues from our Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy) and Lingbi Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), partially offset by an increase of HK$161.7 million in creditors, other payables and accrued expenses due to increases in payables to our contractors for construction of our projects.

For the year ended December 31, 2015, our net cash used in operating activities was HK$29.9 million, which was primarily attributable to our profit before tax of HK$327.7 million, as adjusted by positive effects of HK$111.6 million for non-cash and non-operating items and negative effects of HK$456.1 million arising out of movements in working capital, and further positively adjusted by interest received in the amount of HK$7.1 million and negatively adjusted by income tax paid of HK$20.2 million. The positive adjustment of HK$111.6 million for our non-cash and non-operating items for the year ended December 31, 2015 consisted primarily of (i) depreciation of HK$39.9 million for our property, plant and equipment, (ii) finance costs of HK$41.2 million related to our borrowings, and (iii) amortization of intangible assets of HK$32.5 million related to the construction service revenue recognized for our biomass projects. The negative effects of HK$456.1 million on our cash flow arising out of movements in working capital for the year ended December 31, 2015 were primarily due to (i) an increase of HK$395.7 million in debtors, other receivables, deposits and prepayments due primarily to an increase in other receivables due to an increase in VAT recoverables, an increase in debtors due to an increase in trade receivables and an increase in prepayments to our construction contractors as a result of the increase in construction work, and (ii) an increase of HK$203.9 million in gross amounts due from customers for contract work due primarily to increases in construction revenues related to Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), partially offset primarily by an increase of HK$155.6 million in creditors, other payables and accrued expenses primarily due to an increase in construction payables.

For the year ended December 31, 2014, our net cash generated from operating activities was HK$313.5 million, which was primarily attributable to our profit before tax of HK$225.1 million, as adjusted by positive effects of HK$88.2 million for non-cash and non-operating items and negative effects of HK$9.1 million arising out of movements in working capital, and further positively adjusted by interest received in the amount of HK$3.2 million and income tax refund of HK$6.1 million. The positive adjustment of HK$88.2 million for our non-cash and non-operating items for the year ended December 31, 2014 consisted primarily of (i) depreciation of HK$31.4 million for our property, plant and equipment, (ii) finance costs of HK$26.2 million related to our borrowings, (iii) amortization of intangible assets of HK$23.1 million related to the construction service revenue recognized for our biomass project, and (iv) positive effect of foreign exchange rate changes of HK$10.0 million. The negative effects of HK$9.1 million on our cash flow arising out of movements in working capital for the year ended December 31, 2014 were primarily due to (i) an increase of HK$22.3 million in debtors, other receivables, deposits and prepayments due primarily to increase in VAT receivables, and (ii) a decrease of HK$9.0 million in creditors, other payables and accrued expenses primarily due to settlement of construction payables, and partially offset primarily by a decrease of HK$25.4 million in gross amounts due from customers for contract work due primarily to offset of gross amounts due from customers for contract work by cash received during the operational phase of our Suzhou Hazardous Waste Landfill Project and Suqian Hazardous Waste Landfill Project.

Net cash used in investing activities

For the year ended December 31, 2016, our net cash used in investing activities was HK$1,617.6 million, which was primarily attributable to (i) payment for additions of intangible assets of HK$1,263.3 million primarily due to recognition of construction revenues from Xinyi Hazardous Waste Incineration Project and certain biomass projects which commenced construction in 2016 and (ii) payment for purchase of property, plant and equipment and interest in leasehold land held for own use under operating leases of HK$323.9 million.

For the year ended December 31, 2015, our net cash used in investing activities was HK$1,099.7 million, which was primarily attributable to (i) payment for additions of intangible assets of HK$546.7 million primarily due to recognition of construction service revenues from Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project, Dingyuan Biomass Direct Combustion Project and Xinyi Hazardous Waste Incineration Project and (ii) payment for purchase of property, plant and equipment and interest in leasehold land held for own use under operating leases of HK$546.4 million.

For the year ended December 31, 2014, our net cash used in investing activities was HK$1,018.8 million, which was primarily attributable to (i) payment for additions of intangible assets of HK$483.4 million primarily due to recognition of construction service revenues from Hanshan Biomass Direct Combustion Project, Binhai Hazardous Waste Landfill Project and Guanyun Hazardous Waste Landfill Project, (ii) increase in non-current portion of prepayment of HK$237.5 million primarily due to the construction of our Ningwu Wind Power Projects, and (iii) payment for purchase of property, plant and equipment and interest in leasehold land held for own use under operating leases of HK$198.6 million, and (iv) increase in amount due from fellow subsidiaries of HK$99.7 million for intra-group advances prior to the Spin-Off, which we expect not to recur after the Spin-Off.

Net cash generated from financing activities

For the year ended December 31, 2016, our net cash generated from financing activities was HK$996.6 million, which was primarily attributable to (i) intra-group funding prior to the Spin-Off, including an increase of HK$300.0 million in amounts due to immediate holding company, which we subsequently recognized as capital contribution, and (ii) proceeds from new bank loans of HK$1,104.6 million, partially offset by (i) repayment of HK$175.8 million of bank loans and (ii) decrease of HK$83.4 million in amounts due to fellow subsidiaries.

For the year ended December 31, 2015, our net cash generated from financing activities was HK$1,624.1 million, which was primarily attributable to (i) proceeds from new bank loans of HK$760.1 million, and (ii) intra-group funding prior to the Spin-Off, including an increase of HK$604.5 million in amounts due to immediate holding company, and net increase of HK$558.4 million in amount due to intermediate holding company, which we subsequently recognized as capital contribution, partially offset by (i) repayment of HK$135.4 million of bank loans and (ii) dividend payment of HK$172.2 million to shareholders.

For the year ended December 31, 2014, our net cash generated from financing activities was HK$964.0 million, which was primarily attributable to (i) intra-group funding prior to the Spin-Off, including an increase of HK$422.5 million in amounts due to intermediate holding company, and an increase of HK$415.6 million in amounts due to fellow subsidiaries, and (ii) proceeds from new bank loans of HK$276.9 million, partially offset by (i) repayment of HK$139.4 million of bank loans, and (ii) interest paid in the amount of HK$26.2 million.

Net Current Assets and Liabilities

The following table sets forth the breakdown of our net current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of February 28,
	2014	2015	2016	2017
	(HK$ in thousands)			
Current assets				
Inventories	21,188	32,456	46,113	39,390
Debtors, other receivables, deposits and prepayments	236,754	461,791	498,455	651,611
Gross amounts due from customers for contract work	25,415	39,518	43,804	43,699
Tax recoverable	6,337	3,162	4,051	3,777
Pledged bank deposits	—	13,665	88,875	89,493
Deposits with bank	4,405	9,568	17,055	17,390
Cash and cash equivalents	569,142	1,044,475	886,210	861,032
	863,241	1,604,635	1,584,563	1,706,392
Current liabilities				
Bank loans				
— Secured	107,967	79,394	153,560	166,675
— Unsecured	9,345	—	116,705	200,910
	117,312	79,394	270,265	367,585
Creditors, other payables and accrued expenses	555,548	695,225	1,016,502	1,040,502
Current taxation	3,110	1,020	8,013	2,965
	675,970	775,639	1,294,780	1,411,052
Net current assets	**187,271**	**828,996**	**289,783**	**295,340**

Our net current assets increased slightly from HK$289.8 million as of December 31, 2016 to HK$295.3 million as of February 28, 2017. Our debtors, other receivables, deposits and prepayments increased from HK$498.5 million as of December 31, 2016 to HK$651.6 million as of February 28, 2017 primarily due to an increase in debtors of HK$83.0 million as trade receivables related to certain of our operating projects, including Ningwu Wind Power Projects and increase in other receivables, deposits and prepayments primarily due to an increase in VAT receivables and construction prepayment to our contractors for construction service they provided for our projects under construction. Our bank loans recorded under the current liabilities increased from HK$270.3 million as of December 31, 2016 to HK$367.6 million as of February 28, 2017 primarily due to additional bank loans we raised for our projects under construction and projects in operation.

Our net current assets decreased from HK$829.0 million as of December 31, 2015 to HK$289.8 million as of December 31, 2016, primarily due to (i) a decrease of HK$158.3 million in cash and cash equivalent, (ii) an increase of short-term bank loans of HK$190.9 million, and (iii) an increase of HK$321.3 million of creditors, other payables and accrued expenses relating to the construction of our projects accounted for as service concession arrangements, partially offset by (i) an increase of HK$36.7

million in debtors, other receivables, deposits and prepayments relating to our operating projects (ii) an increase of HK$75.2 million in pledged bank deposits.

Our net current assets increased from HK$187.3 million as of December 31, 2014 to HK$829.0 million as of December 31, 2015, primarily due to (i) an increase of HK$475.3 million in cash and cash equivalents primarily due to capital injection from CEIL, and (ii) an increase of HK$225.0 million in debtors, other receivables, deposits and prepayments in line with our business expansion and increases in debtors in relation to our Hanshan Biomass Direct Combustion Project which commenced operation in August 2014, partially offset by an increase of HK$139.7 million in creditors, other payables and accrued expenses primarily due to an increase in payables to our construction contractors.

Capital Expenditures and Investment

The following table sets out our expenditures for the years indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Purchase of property, plant and equipment	198,648	546,390	323,913
Construction cost paid	366,126	498,348	1,202,616
Capital contribution to a joint venture	—	14,822	20,928
Deposit for purchase of property, plant and equipment	237,533	68,475	1,335
Net cash paid/(acquired) for acquisition of a subsidiary	(4,775)	20,054	—
Total	**797,532**	**1,148,089**	**1,548,792**

Our capital expenditures are related to the construction of our new projects including purchase of property, plant and equipment for the new projects and were historically funded with our internal capital resources and bank borrowings. The increase of HK$400.7 million in our total capital expenditures from the year ended December 31, 2015 to the year ended December 31, 2016 was primarily due to an increase of HK$704.3 million in construction cost paid to our contractors for construction of our projects. The increase of HK$350.6 million in our total capital expenditures from the year ended December 31, 2014 to the year ended December 31, 2015 was primarily due to (i) an increase in the purchase of property, plant and equipment in relation to our new projects, (ii) an increase in construction costs paid for developing our projects, (iii) capital contribution to our joint venture, EB SITA Solid Waste Treatment (Changzhou), and (iv) net cash paid for acquisition of EB Environmental Protection (Lianyungang) Solid Waste Treatment.

Our planned capital expenditures for the years ending December 31, 2017, 2018 and 2019 are HK$3,702.9 million, HK$3,929.7 million and HK$3,994.2 million, respectively. These planned capital expenditures will be mostly used for the construction of new projects in our pipeline. We expect our total capital expenditures for our projects under construction and at the planning stage to be approximately HK$11,626.8 million. We plan to fund our future capital expenditures with our internal capital resources, bank borrowings, including future project financings available to us, and the proceeds from the Global Offering. Under the PRC laws, we may finance each project of up to 80% of the total project investment amounts from external sources. We expect such project financings to become available for the relevant project in the future.

Capital commitments

Our capital commitments mainly relate to purchase commitments under our construction contracts. The following table sets forth our capital commitments as of each date indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Purchase commitments in connection with our construction contracts not provided for	559,426	585,867	1,386,986

Operating Lease Commitments

Our operating lease commitments consist of rental payments for our offices. These leases typically have initial terms ranging from one to five years. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of each date indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Within one year	132	1,777	4,719
From second to fifth years inclusive	266	3,936	7,115
After five years	—	4,699	8,456
Total	**398**	**10,412**	**20,290**

Working Capital

We finance our working capital needs primarily through bank balances and cash, cash flow from operating activities and bank loans. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our accounts payables and receivables, (ii) our capital expenditure plans and (iii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules and adjust our investment, financing and dividend payout plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Our Directors are of the view that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this Prospectus in light of our available banking facilities, our bank balances and cash, our cash flow from operating activities and the estimated net proceeds from the Global Offering.

DESCRIPTION OF SELECTED STATEMENT OF FINANCIAL POSITION LINE ITEMS

Inventory

Our inventories primarily consist of raw materials, principally biomass raw materials used for the generation of electricity by our biomass projects, and operating supplies, principally chemicals for hazardous waste treatment projects used for the stabilization and solidification of hazardous waste. Our inventories accounted for a relatively small portion of our total current assets as we do not require a high level of inventory due to the nature of our businesses. As of December 31, 2014, 2015 and 2016, our inventories amounted to HK$21.2 million, HK$32.5 million and HK$46.1 million, respectively, and the gradual increase was in line with expansions of our business operation.

Our average inventory turnover days fluctuates depending on the amount of direct costs and operating expenses which changes due to the number of our projects in operation and under construction during the Track Record Period. The following table sets forth our average inventory turnover days for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Average inventory turnover days(1)	9.5	12.7	7.1

Note:

(1) The average inventory turnover days for a year is the average of opening and closing inventory balances divided by direct costs and operating expenses for that year and multiplied by 365 days.

Debtors, Other Receivables, Deposits and Prepayments

The balance of debtors, other receivables, deposits and prepayment consists of trade receivables from our customers, advances to our suppliers, VAT refund, deposits and prepayments to our construction contractors for construction services. The following table sets forth a summary of our debtors, other receivables, deposits and prepayment as of the dates indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Debtors	71,169	198,433	268,788
Other receivables, deposits and prepayments	370,067	471,403	480,186
Amounts due from fellow subsidiaries	102,253	14,954	1,631
Amounts due from intermediate holding companies	85,468	—	—
Total	**628,957**	**684,790**	**750,605**
Less: non-current portion			
Other receivables, deposits and prepayments	(306,735)	(222,999)	(252,150)
Amounts due from intermediate holding companies	(85,468)	—	—
	(392,203)	(222,999)	(252,150)
Current portion	236,754	461,791	498,455

Our balance of debtors, other receivables, deposits and prepayment increased from HK$629.0 million as of December 31, 2014 to HK$684.8 million as of December 31, 2015, in line with our business expansion, including both an increase in construction work for pipeline projects and an increase in operating services from projects in operation. Our balance of debtors, other receivables, deposits and prepayment increased from HK$684.8 million as of December 31, 2015 to HK$750.6 million as of December 31, 2016 due to increase in debtors as trade receivables related to certain of our operating projects, including Ningwu Wind Power Projects.

Debtors represent trade receivables due from our customers for services provided by our biomass, hazardous waste treatment and solar energy and wind power projects. We normally provide our customers a credit period of 30 to 90 days for payment from the date of an invoice. We generally receive payment from the local governments and power grid companies within the credit period.

The following table sets forth an aging analysis as of the trade debtors as of the dates indicated:

	As of December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Current	57,389	93,758	181,306
Amounts past due:			
Within 1 month past due	4,095	37,019	26,826
More than 1 month but within 3 months past due	5,509	3,780	391
More than 3 months but within 6 months past due	1,392	24,345	26,006
More than 6 months but within 12 months past due	669	35,260	32,850
More than 12 months past due	2,115	4,271	1,409
	13,780	104,675	87,482
Total	**71,169**	**198,433**	**268,788**

There was no recent history of default in respect of our debtors. Since most of the debtors are local government authorities in the PRC and based on past experience, our 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. We do not hold any collateral over these balances. No impairment loss was recognized as of December 31, 2014, 2015 and 2016.

The following table sets forth our average debtors turnover days for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Average debtors turnover days[(1)]	74.0	89.6	93.2

Note:

(1) The average debtors turnover days for a year is the average of opening and closing debtors balances divided by revenues related to debtor balances for that year and multiplied by 365 days.

Our average debtors turnover days increased from 74.0 days for the year ended December 31, 2014 to 89.6 days for the year ended December 31, 2015 primarily due to debtors newly incurred in

2015 from the local grid company related to our Hanshan Biomass Direct Combustion Project which commenced operation in August 2014. Our average debtors turnover days further increased from 89.6 days for the year ended December 31, 2015 to 93.2 days for the year ended December 31, 2016 primarily due to newly incurred government subsidies for tariffs due to us related to our Ningwu Wind Power Projects. Because payments by certain of our customers, such as power grid companies, depend on the corresponding subsidies from the PRC government, our average debtors turnover days may fluctuate according to the payment schedule of the PRC government.

Other receivables, deposits and prepayments include other receivables in the amount of HK$39.7 million, HK$48.6 million and HK$71.1 million which bear interest at rates ranging from 5.15% to 6.91% per annum respectively as of December 31, 2014, 2015 and 2016 and represent finance income we recorded during the construction phase of our projects accounted for as service concession arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the relevant projects accounted for as service concession arrangements. Other receivables, deposits and prepayments also include VAT refund to be received, and deposits and prepayments made to our independent contractors and suppliers. No impairment loss was recognized as of December 31, 2014, 2015 and 2016.

The following table sets forth a breakdown of the other receivables, deposits and prepayments as of the dates indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Non-current			
Finance income receivables	33,102	40,428	62,881
Prepayment for constructions	237,533	68,499	17,083
VAT receivables	36,100	114,072	172,186
	306,735	222,999	252,150
Current			
Finance income receivables	6,646	8,165	8,178
Prepayment for constructions	11,894	167,650	124,235
Prepayment for operations	5,232	8,380	19,858
VAT receivables	15,080	52,737	39,806
Others	24,480	11,472	35,959
	63,332	248,404	228,036
Total	370,067	471,403	480,186

The amounts due from fellow subsidiaries and the amounts due from the intermediate holding company represented non-trade receivables for intra-group services and funding prior to the Spin-Off, and were unsecured, interest free and recoverable on demand, except for an amount of HK$99.7 million due from fellow subsidiaries as of December 31, 2014 which bore interest at 5.6% per annum and was repaid in 2015.

Creditors, Other Payables and Accrued Expenses

The balance of creditors, other payables and accrued expenses primarily consists of (i) trade payables due to third parties and affiliates, and (ii) government grants received that had not been recognized as revenue in the given period. The following table sets forth a summary of our creditors, other payables and accrued expenses as of the dates indicated:

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Trade creditors			
— third parties	180,139	234,444	529,659
— fellow subsidiaries	107,068	24,077	6,200
	287,207	258,521	535,859
Other payables and accrued expenses	101,283	360,936	471,543
Deferred income — government grants	33,703	45,771	47,280
Amounts due to intermediate holding company	1,197,744	119	—
Amount due to immediate holding company	—	604,451	—
Amounts due to fellow subsidiaries	644,881	91,064	—
Total	**2,264,818**	**1,360,862**	**1,054,682**
Less: Non-current portion			
— Amount due to intermediate holding company	(1,178,111)	—	—
— Amount due to immediate holding company	—	(604,451)	—
— Amounts due to fellow subsidiaries	(499,164)	(17,821)	—
— Deferred income – government grants	(31,995)	(43,365)	(38,180)
	(1,709,270)	(665,637)	(38,180)
Current portion	555,548	695,225	1,016,502

As of December 31, 2014, 2015 and 2016, trade creditors in the amount of HK$274.4 million, HK$223.6 million and HK$518.0 million, respectively, primarily represented construction payables to independent contractors for their construction services provided for our projects accounted for as service concession arrangements, the increase of which was in line with the increases in the construction of our projects. Trade creditors also include trade payables to our biomass raw material suppliers.

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

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Due within 1 month or on demand	118,924	46,586	63,977
Due after 1 month but within 3 months	2,543	13,557	13,394
Due after 3 months but within 6 months	801	173	843
Due after 6 months	164,939	198,205	457,645
Total	**287,207**	**258,521**	**535,859**

The following table sets forth our average creditors turnover days for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Average creditors turnover days(1)	95.0	129.6	72.2

Note:

(1) The average creditors turnover days for a year is the average of opening and closing creditors balances divided by direct costs and operating expenses for that year and multiplied by 365 days.

Our average creditors turnover days increased from 95.0 days for the year ended December 31, 2014 to 129.6 days for the year ended December 31, 2015, primarily due to an increase in creditors and other payables in 2015 as a result of the commencement of construction of our Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project and Dingyuan Biomass Direct Combustion Project, all of which commenced construction in 2015, and also due to the fact that we paid substantial amount of the creditors and payables related to Hanshan Biomass Direct Combustion Project by the end of 2014 which reduced our creditors and payables as of December 31, 2014. Our average creditors turnover days decreased from 129.6 days for the year ended December 31, 2015 to 72.2 days for the year ended December 31, 2016, primarily due to an increase in direct costs and operating expenses during the year ended December 31, 2016.

Other payables and accrued expenses included certain construction payables related to our projects not accounted for as service concession arrangements and professional fees and expenses.

Deferred income represents government grants we received to subsidize the construction of property, plant and equipment for our projects that have not been recognized as revenue. For revenue recognition of government grants we receive, see "— Critical Accounting Policies, Estimates and Judgments — Revenue Recognition — Government grants." Government grant in the amount of HK$1.7 million, HK$2.0 million and HK$1.7 million were credited to the consolidated income statement for the years ended December 31, 2014, 2015 and 2016, respectively. There were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

The amounts due to intermediate holding company represented amounts due to CEIL which were unsecured, interest free and had no fixed terms of repayment, except for the amounts of HK$1,178.1 million as of December 31, 2014, which CEIL agreed not to seek repayment of these amounts within twelve months from the end of the reporting period.

The amounts due to fellow subsidiaries were unsecured, interest free and repayable in accordance with the contract terms.

Property, Plant and Equipment, Interest in Leasehold Land Held for Own Use under Operating Leases, Intangible Assets and Gross Amounts due from Customers for Contract Work

Due to different accounting treatment for our projects, we allocate construction of our pipeline projects into the following items. See "— Impact of Accounting Treatment of Service Concession Arrangements."

- *Property, plant and equipment and interest in leasehold land held for own use under operating leases.* The amount represents our properties, plants and equipment and leasehold land for the operation of our projects that are not accounted for as service concession arrangements, primarily including solar energy and wind power projects. Costs of construction for such projects are capitalized and, once the construction of our facilities is completed, property, plant and equipment and interest in leasehold land held for own use under operating leases are depreciated over their useful life.

- *Intangible Assets.* Intangible assets represent fair value of construction services allocated during the construction phase to certain projects accounted for as service concession arrangements, for which there is no minimum guaranteed future revenue stream. They are amortized over their useful life. See "— Critical Accounting Policies, Estimates and Judgments — Intangible Assets." Revenues from the construction phase of our biomass projects are mainly recorded under intangible assets.

- *Gross amounts due from customers for contract work.* Gross amounts due from customers for contract work represent revenue we record during the construction phase of our projects accounted for as service concession arrangements, for which there is minimum guaranteed future revenue stream. The amounts are not yet due for payment and will be settled by payments to be received during the operating periods of the projects. Revenues from the construction phase of our hazardous waste treatment projects and waste-to-energy projects which are integrated with our biomass projects are mainly recorded under gross amounts due from customers for contract work. The gross amounts due from customers for contract work bear interest at rates ranging from 5.15% to 6.91% per annum as of December 31, 2014, 2015 and 2016.

The following table sets forth a summary of our property, plant and equipment, interest in leasehold land held for own use under operating leases, intangible assets and gross amounts due from customers for contract work as of the dates indicated.

	Year ended December 31,		
	2014	2015	2016
	(HK$ in thousands)		
Property, plant and equipment	773,298	1,599,605	1,713,858
Interest in leasehold land held for own use under operating leases	12,743	117,119	120,684
	786,041	1,716,724	1,834,542
Intangible Assets	1,358,802	1,661,629	2,975,814
Gross amounts due from customers for contract work:			
— Non-current	151,585	334,264	761,700
— Current	25,415	39,518	43,804
	177,000	373,782	805,504
Total	**2,321,843**	**3,752,135**	**5,615,860**

Our property, plant and equipment and interest in leasehold land held for own use under operating leases increased from HK$786.0 million as of December 31, 2014 to HK$1,716.7 million as of December 31, 2015 primarily due to the completion of construction of our two wind power projects in October and December 2015, respectively. Our property, plant and equipment and interest in leasehold land held for own use under operating leases increased from HK$1,716.7 million as of December 31, 2015 to HK$1,834.5 million as of December 31, 2016 primarily due to an increase in our projects under construction.

Our intangible assets increased from HK$1,358.8 million as of December 31, 2014 to HK$1,661.6 million as of December 31, 2015 primarily due to the construction of our Hanshan Biomass Direct Combustion Project, which started in mid-2013, and the construction of Sucheng Biomass Heat Supply Project, Xuyi Biomass Electricity and Heat Cogeneration Project and Dingyuan Biomass Direct Combustion Project, which commenced construction in 2015. Our intangible assets increased from HK$1,661.6 million as of December 31, 2015 to HK$2,975.8 million as of December 31, 2016 primarily due to recognition of construction revenues from our Xinyi Hazardous Waste Incineration Project and certain of our biomass projects under construction during 2016.

Gross amounts due from customers for contract work increased from HK$177.0 million as of December 31, 2014 to HK$373.8 million as of December 31, 2015, primarily due to an increase in the amount of construction work related to our Dangshan Integrated Biomass and Waste-to-Energy Project (Waste-to-Energy), which commenced construction in 2015. Gross amounts due from customers for contract work increased from HK$373.8 million as of December 31, 2015 to HK$805.5 million as of December 31, 2016 primarily due to recognition of construction revenues from our integrated biomass and waste-to-energy projects (waste-to-energy).

INDEBTEDNESS

Borrowings

The following table sets forth the breakdown of our borrowings as of each date indicated:

	Year ended December 31,			As of February 28,
	2014	2015	2016	2017
	(HK$ in thousands)			
Bank loans:				
— secured	553,015	1,156,929	1,623,390	1,849,399
— unsecured	18,690	—	344,937	489,596
Total	**571,705**	**1,156,929**	**1,968,327**	**2,338,995**

Banking facilities in the amount of HK$1,055.8 million, HK$1,496.6 million, HK$3,800.5 million and HK$3,845.4 million as of December 31, 2014, 2015, 2016 and February 28, 2017, respectively, were secured by certain revenue and receivables in connection with our service concession arrangements and mortgages on our property, plant and equipment and interest in leasehold land held for own use under operating leases. Among these secured banking facilities, HK$553.0 million, HK$1,156.9 million, HK$1,623.4 million and HK$1,849.4 million were utilized as of December 31, 2014, 2015, 2016 and February 28, 2017, respectively. Among the secured banking facilities, HK$621.2 million were guaranteed by CEIL, among which HK$155.8 million were utilized as of December 31, 2014. All the guarantees granted by CEIL were released during the year ended December 31, 2015. All of the non-current bank loans are carried at amortized costs. None of the non-current bank loans is expected to be settled within one year.

Banking facilities in the amount of HK$18.7 million, nil, HK$1,598.3 million and HK$1,672.9 million as of December 31, 2014, 2015, 2016 and February 28, 2017 were unsecured, among which HK$18.7 million, nil, HK$344.9 million and HK$489.6 million, respectively, were utilized.

As of the Latest Practicable Date, we had unutilized banking facilities of HK$3,555.9 million.

Banking facilities in the amount of HK$800.4 million, HK$409.4 million, HK$2,008.2 million and HK$2,025.4 million as of December 31, 2014, 2015, 2016 and February 28, 2017, respectively, are subject to the fulfillment of covenants relating to certain of our financial ratios. If we breach the covenants, the drawn down facilities would become payable on demand. As of December 31, 2014, 2015, 2016 and February 28, 2017, HK$335.0 million, HK$243.7 million, HK$581.5 million and HK$798.4 million, respectively, of such banking facilities were utilized. We regularly monitor our compliance with these covenants. As of December 31, 2014, 2015, 2016 and February 28, 2017, none of the covenants relating to these facilities was breached.

The following table sets forth the maturity profile of our borrowings as of each date indicated:

	Year ended December 31,			As of February 28,
	2014	2015	2016	2017
		(HK$ in thousands)		
Within 1 year or on demand	117,312	79,394	270,265	367,585
Non-current:				
After 1 year but within 2 years	94,547	105,586	210,421	230,321
After 2 years but within 5 years	210,788	382,973	723,869	813,493
After 5 years	149,058	588,976	763,772	927,596
	454,393	1,077,535	1,698,062	1,971,410
Total	**571,705**	**1,156,929**	**1,968,327**	**2,338,995**

Except as disclosed above, as of December 31, 2016, we did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, loans from government, debt securities or other similar indebtedness, finance lease on hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees on other material contingent liabilities outstanding.

We confirm that there has not been any material adverse change in our indebtedness and contingent liabilities since December 31, 2016 and up to the date of this Prospectus.

RELATED PARTY TRANSACTIONS

In addition to transactions and balances disclosed elsewhere in this Prospectus with respect to fellow subsidiaries and intermediate holding companies, we entered into certain related party transactions with fellow subsidiaries. See Note 25 to the Accountant's Report in Appendix I to this Prospectus for further details of related party transactions. The following table sets forth the amount of such transactions for the years indicated:

	Year ended December 31,		
	2014	2015	2016
		(HK$ in thousands)	
Construction management and consultancy fee expense	154,832	—	—
Purchase of machinery	—	36,005	32,091
Interest expense	2,591	9,151	990
Interest income	799	1,042	—
Management fee expense	7,023	—	—
Rental expense	—	—	3,557

The Directors confirm that all related party transactions disclosed herein were negotiated on an arm's length basis, reflected normal commercial terms and that their terms are fair and reasonable to us, and they would not distort our results during the Track Record Period or otherwise make our historical results not reflective of our future performance.

FINANCIAL RATIOS

The following table sets forth certain of our financial ratios as of the dates or for the years indicated:

	Year ended December 31,		
	2014	2015	2016
Return on assets(1)	7.0%	5.9%	9.7%
Return on equity(2)	36.8%	15.3%	17.7%
Current ratio(3)	1.3×	2.1×	1.2×
Quick ratio(4)	1.2×	2.0×	1.2×
Asset-liability ratio(5)	82.4%	47.5%	43.7%
Gearing ratio(6)	91.0%	39.6%	46.9%
Interest coverage ratio(7)	11.7×	10.7×	14.5×

Notes:

(1) Return on assets is calculated by dividing profit for the year by the average of total assets as of the beginning of the year and the end of the year.

(2) Return on equity is calculated by dividing profit for the year by the average of total equity as of the beginning of the year and the end of the year.

(3) Current ratio is calculated by dividing current assets by current liabilities at the end of each year.

(4) Quick ratio is calculated by dividing current assets less inventories by current liabilities at the end of each year.

(5) Asset-liability ratio is calculated by dividing total liabilities by total assets at the end of each year.

(6) Gearing ratio is calculated by dividing total bank loans by total equity at the end of each year.

(7) Interest coverage ratio is calculated by dividing our EBITDA by our finance costs for each year.

Return on Assets

For the years ended December 31, 2014, 2015 and 2016, our return on assets was 7.0%, 5.9% and 9.7%, respectively. Our return on assets decreased from 7.0% for the year ended December 31, 2014 to 5.9% for the year ended December 31, 2015, primarily due to increases in the total assets as a result of capitalization of amount due to an intermediate holding company in 2015. Our return on assets increased from 5.9% for the year ended December 31, 2015 to 9.7% for the year ended December 31, 2016, primarily due to an increase in the profit for the year ended December 31, 2016.

Return on Equity

For the years ended December 31, 2014, 2015 and 2016, our return on equity was 36.8%, 15.3% and 17.7%, respectively. Our return on equity decreased from 36.8% for the year ended December 31, 2014 to 15.3% for the year ended December 31, 2015, primarily due to increases in the total equity as a result of capitalization of amount due to an intermediate holding company in 2015. Our return on equity increased from 15.3% for the year ended December 31, 2015 to 17.7% for the year ended December 31, 2016, primarily due to an increase in the equity as a result of the capitalization of amounts due to an immediate holding company for the year ended December 31, 2016 and increase in the profit for the year.

Current Ratio

As of December 31, 2014, 2015 and 2016, our current ratio remained relatively stable, being 1.3 times, 2.1 times and 1.2 times, respectively.

Quick Ratio

As of December 31, 2014, 2015 and 2016, our quick ratio remained relatively stable, being 1.2 times, 2.0 times and 1.2 times, respectively.

Asset-Liability Ratio

As of December 31, 2014, 2015 and 2016, our asset-liability ratio was 82.4%, 47.5% and 43.7%, respectively. Our asset-liability ratio decreased from 2014 to 2015 and further decreased in 2016 primarily due to capitalization of intra-group loans.

Gearing Ratio

As of December 31, 2014, 2015 and 2016, our gearing ratio was 91.0%, 39.6% and 46.9%, respectively. Our gearing ratio decreased from 91.0% as of December 31, 2014 to 39.6% as of December 31, 2015, primarily due to capitalization of amounts due to immediate holding company during 2015. The increase in our gearing ratio from 39.6% as of December 31, 2015 to 46.9% as of December 31, 2016 was primarily due to an increase in new bank loans for the purpose of project development during the year ended December 31, 2016.

Interest Coverage Ratio

For the years ended December 31, 2014, 2015 and 2016, our interest coverage ratio remained relatively stable being 11.7 times, 10.7 times and 14.5 times, respectively. The decrease in our interest coverage ratio from 11.7 times for the year ended December 31, 2014 to 10.7 times for the year ended December 31, 2015 was primarily due to increases in our finance costs related to more bank loans raised for our projects in operation and pipeline projects. The increase in our interest coverage ratio from 10.7 times for the year ended December 31, 2015 to 14.5 times for the year ended December 31, 2016 was primarily because construction work was mainly financed by funds provided by CEIL, which was capitalized and led to a reduced balance of borrowings.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks, including foreign currency risk, interest rate risk, credit risk and liquidity risk.

Currency Risk

We are exposed to currency risk primarily from bank loans, cash and cash equivalents, receivables and payables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars, Renminbi and U.S. dollars.

The following table sets forth our exposure to currency risk at the end of the periods indicated arising from recognized assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate as of the end of the applicable period. Differences resulting from the translation of the financial information of foreign operations into our presentation currency are excluded.

	Year ended December 31,											
	2014				2015				2016			
	Hong Kong dollars	Renminbi	United States dollars	Euros	Hong Kong dollars	Renminbi	United States dollars	Euros	Hong Kong dollars	Renminbi	United States dollars	Euros
						(HK$ in thousands)						
Cash and cash equivalents	55,420	9,219	22,889	850	45,861	34,319	482	761	616	89,373	20,425	8,168
Amounts due from/(to) group companies (net)	—	209,768	(48,346)	17,955	—	135,608	—	64,960	—	542	—	58,173
Bank loans	(73,305)	—	—	—	(66,150)	—	—	—	—	—	—	—
Other payables	—	(19,517)	—	—	—	—	—	—	—	(55)	—	—
	(17,885)	199,470	(25,457)	18,805	(20,289)	169,927	482	65,721	616	89,860	20,425	66,341

The following table sets forth the instantaneous change in our profit before tax that would arise if foreign exchange rates to which we have significant exposure at the end of the respective periods indicated had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the U.S. dollar would not be materially affected by any changes in movement in value of the U.S. dollar against other currencies. The impact of foreign exchange rate fluctuations with respect to the assets and liabilities denominated in U.S. dollars is insignificant as Hong Kong dollars is pegged to the U.S. dollars.

	Year ended December 31,					
	2014		2015		2016	
	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax	Increase/ (decrease) in foreign exchange rates	Effect on profit before tax
	(HK$ in thousands, except percentages)					
Hong Kong dollars	10%	(1,788)	10%	(2,029)	10%	62
	(10%)	1,788	(10%)	2,029	(10%)	(62)
Renminbi	10%	19,947	10%	16,993	10%	8,986
	(10%)	(19,947)	(10%)	(16,993)	(10%)	(8,986)
United States dollars	10%	2,248	10%	—	10%	2,042
	(10%)	(2,248)	(10%)	—	(10%)	(2,042)
Euros	10%	1,881	10%	6,572	10%	6,634
	(10%)	(1,881)	(10%)	(6,572)	(10%)	(6,634)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on profit before tax of each of the entities in our Group measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the applicable period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by us which expose us to foreign currency risk at the end of the periods indicated, including intercompany payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into our presentation currency. The analysis is performed on the same basis throughout the Track Record Period.

Interest Rate Risk

Our interest rate risk arises primarily from our cash and cash equivalents, bank deposits, bank loans and balances with group companies. Borrowings issued at variable rates and at fixed rates expose us to cash flow interest rate risk and fair value interest rate risk respectively. We do not use financial derivatives to hedge against the interest rate risk. The following table sets forth our interest rate profile as of the dates indicated:

	Year ended December 31,					
	2014		2015		2016	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount	Effective Interest Rate	Amount
	(HK$ in thousands, except percentages)					
Net fixed rate (deposits) / borrowings:						
Bank loans	4.70%	49,840	4.70%	26,313	—	—
Amounts due to fellow subsidiaries	6.15-6.35%	93,500	6.35%	17,821	—	—
Less:						
Deposits with bank	3.30-4.25%	(4,405)	2.00-2.05%	(9,568)	1.30%	(17,055)
Cash and cash equivalents	1.62-2.86%	(10,081)	1.35-2.05%	(87,378)	1.10%-1.54%	(56,093)
Amounts due from fellow subsidiaries	5.60%	(99,680)	—	—	—	—
		29,174		(52,812)		(73,148)
Net variable rate (deposits) / borrowings:						
Bank loans	4.24-6.77%	521,865	4.25-4.90%	1,130,616	2.75%-4.90%	1,968,327
Amounts due to fellow subsidiaries	6.00%	5,806	4.35%	38,298	—	—
Less:						
Cash and cash equivalents	0.01-0.50%	(559,061)	0.01-0.35%	(957,097)	0.01%-0.35%	(830,117)
Pledged bank deposits	—	—	0.35%	(13,665)	0.01%-0.35%	(88,875)
		(31,390)		198,152		1,049,335
Total net borrowings /(deposits)		**(2,216)**		**145,340**		**976,187**

As of December 31, 2014, 2015 and 2016, it is estimated that a general increase of one percent in interest rates, with all other variables held constant, would decrease our profit before taxation by approximately HK$1.5 million and HK$9.8 million for the years ended December 31, 2015 and 2016, respectively, and increase our profit before taxation by approximately HK$22,000 for the year ended December 31, 2014, and *vice versa*.

The sensitivity analysis above indicates the instantaneous change in our profit before taxation that would arise assuming that the change in interest rates had occurred at the end of the years ended December 31, 2014, 2015 and 2016 and had been applied to re-measure those financial instruments we hold which expose us to fair value interest rate risk for the relevant periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments we held at the end of the years ended December 31, 2014, 2015 and 2016, the impact on our profit before taxation is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis throughout the Track Record Period.

Credit Risk

Our management has a credit policy in place and the exposures to credit risks are monitored on an ongoing basis. Receivables are usually due within 30 to 90 days from the date of billing. Debtors represent receivables in respect of revenue from operation services which are settled on a monthly basis. In addition, we have gross amounts due from customers for contract work and other receivables in respect of projects accounted for as service concession arrangements.

As of December 31, 2014, 2015 and 2016, we had debtors, other receivables, deposits and prepayments and gross amounts due from customers for contract work in the total amount of HK$806.0 million, HK$1,058.6 million and HK$1,556.1 million, respectively, of which nil, HK$132.7 million and HK$238.3 million, respectively, were due from our largest customer and HK$52.4 million, HK$365.8 million and HK$365.1 million, respectively, were due from our five largest customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since our counterparties are mainly local government authorities in China, we consider our credit risk is low.

We do not provide any guarantees which would expose us to credit risk.

Liquidity Risk

We are exposed to liquidity risk. Our individual operating entities 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. Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

The following table sets forth the remaining contractual maturities of our non-derivative financial liabilities as of the dates indicated, 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 we can be required to pay:

	As of December 31, 2014					
	Carrying Amount	Contractual Undiscounted Cash Flow	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
	(HK$ in thousands)					
Bank loans	571,705	695,955	149,309	120,020	257,078	169,548
Creditors, other payables and accrued expenses[(1)]	2,231,115	2,240,980	560,068	1,661,168	19,744	—
	2,802,820	2,936,935	709,377	1,781,188	276,822	169,548

	As of December 31, 2015					
	Carrying Amount	Contractual Undiscounted Cash Flow	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
	(HK$ in thousands)					
Bank loans	1,156,929	1,491,436	134,168	156,589	501,263	699,416
Creditors, other payables and accrued expenses[(1)]	1,315,091	1,319,020	695,616	623,404	—	—
	2,472,020	2,810,456	829,784	779,993	501,263	699,416

	As of December 31, 2016					
	Carrying Amount	Contractual Undiscounted Cash Flow	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
	(HK$ in thousands)					
Bank loans	1,968,327	2,420,764	362,723	290,569	901,646	865,826
Creditors, other payables and accrued expenses[(1)]	1,007,402	1,007,402	1,007,402	—	—	—
	2,975,729	3,428,166	1,370,125	290,569	901,646	865,826

Note:

(1) Excluding deferred income — government grants.

DIVIDEND AND DISTRIBUTABLE RESERVES

Subject to the Cayman Companies Law and our Articles of Association, our Company may in a general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles of Association, from time to time, pay to our Shareholders such interim dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit.

Pursuant to the Cayman Companies Law and subject to our Articles of Association, the share premium account of our Company may be applied to paying distributions or dividends to our Shareholders, provided that no distribution or dividend may be paid to the Shareholders out of the share premium account of our Company unless, immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course of business.

Pursuant to our Articles of Association, unless and to the extent that the rights attached to any Shares or the terms of issue thereof otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the dividend is paid. For such purposes no amount paid on a Share in advance of calls shall be treated as paid on the Share.

Pursuant to our Articles of Association, our Board may retain any dividends or other moneys payable on or in respect of a Share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. Our Board may also deduct from any dividend or other money payable to any of our Shareholders all sums of money (if any) presently payable by such Shareholders to our Company on account of calls, installments or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Board, and the amounts of dividends actually declared and paid will also depend on:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors which our Board may deem relevant.

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our PRC subsidiaries. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles. PRC laws also require PRC enterprises to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends.

We have not declared or paid any dividend to our shareholders since the date of incorporation of the Company up to the Latest Practicable Date except that on November 17, 2015, CE Environmental Solid Waste Treatment Holdings, one of our subsidiaries, declared dividends of HK$207.0 million to its then immediate holding company. Our Board has absolute discretion in deciding whether to declare any dividend for any year and, if it decides to declare a dividend, how much dividend to declare. We currently do not have a dividend policy. The determination to pay dividends will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we may enter into in the future. There can be no assurance that dividends of any amount will be declared or distributed in any year.

LISTING EXPENSES

The listing expenses in connection with the Global Offering consist primarily of underwriting commission and professional fees, and, assuming an offer price of HK$5.54 per Share, being the mid-point of the proposed offer price range, are estimated to be HK$137.7 million. During the Track Record

Period, we incurred listing expenses of HK$52.7 million, of which HK$40.2 million was recognized in the consolidated income statements and HK$12.5 million was recognized as prepayments in the consolidated statements of financial position which will be accounted for as a deduction from equity upon Listing. Subsequent to the Track Record Period, we expect to further incur listing expenses of HK$85.0 million prior to and upon completion of the Global Offering, of which (i) HK$14.0 million is expected to be recognized as expenses in our consolidated income statements during the year ending December 31, 2017; and (ii) HK$71.0 million is expected to be accounted for as a deduction from equity upon Listing. We do not expect these expenses to have a material impact on our results of operations for 2017.

UNAUDITED *PRO FORMA* ADJUSTED NET TANGIBLE ASSETS

Our unaudited *pro forma* adjusted net tangible assets has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of December 31, 2016 or at any future date. It is prepared based on our consolidated net assets as of December 31, 2016 as set forth in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below. Our unaudited *pro forma* adjusted net tangible assets does not form part of the Accountants' Report in Appendix I to this Prospectus.

	Consolidated net tangible assets attributable to equity shareholders of the Company as of December 31, 2016(1)	Estimated net proceeds from the Global Offering(2)	Unaudited *pro forma* adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited *pro forma* adjusted net tangible assets per Share(3)(4)
		(HK$ in thousands)		*(HK$)*
Based on an offer price of:				
HK$5.18 per Share	1,211,407	2,807,912	4,019,319	2.01
HK$5.90 per Share	1,211,407	3,202,040	4,413,447	2.21

Notes:

(1) Our consolidated net tangible assets attributable to equity shareholders of the Company as of December 31, 2016 is arrived at after deducting intangible assets of HK$2,975.8 million from the consolidated net assets attributable to equity shareholders of the Company of HK$4,187.2 million as of December 31, 2016, as shown in the Accountants' Report set out in Appendix I of this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the indicative offer prices of HK$5.18 per Share (being the minimum Offer Price) and HK$5.90 per Share (being the maximum Offer Price), after deduction of the estimated underwriting fees and other listing expenses, and 560,000,000 Shares expected to be issued under the Global Offering, assuming that the Over-allotment Option is not exercised.

(3) Our unaudited *pro forma* adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 2,000,000,000 Shares in issue immediately following completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised.

(4) No adjustment has been made to the unaudited *pro forma* adjusted net tangible assets to reflect any of our trading results or other transactions of our Group entered into subsequent to December 31, 2016.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, there has been no material adverse change in our financial or trading position or prospects since December 31, 2016, the date of our latest audited consolidated financial statements.