Capital Environment Holdings Limited
首創環境控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code 股票代號：03989

Annual Report 2016
年報

CONTENTS

CORPORATE INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Lishun *(Chairman) (appointed on 20 December 2016)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Liu Yongzheng
Ms. Zhang Meng *(appointed on 20 December 2016)*
Mr. Yang Bin *(appointed on 20 December 2016)*

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

COMMITTEES

Audit Committee

Dr. Chan Yee Wah, Eva *(Chairman)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen

Nomination Committee

Mr. Wu Lishun *(Chairman) (appointed on 20 December 2016)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
Mr. Wu Lishun *(appointed on 20 December 2016)*

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Wu Lishun *(appointed on 20 December 2016)*
Ms. Wong Bing Ni

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1613–1618,
16th Floor,
Bank of America Tower,
12 Harcourt Road, Central,
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Conyers Dill and Pearman
Jun He Law Offices

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Branch Registrar in Hong Kong

Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Wu Lishun
Chairman

In 2016, the Chinese economy achieved steady growth in the structure adjustment, despite continuing turbulence in the global economy. Benefiting from the planning policies and financial support of the "13th Five-Year Plan" issued by the central government, as well as huge demand from local government and residents, the green environmental protection industry developed strongly. As a leading enterprise in the green environmental protection industry, the Group has achieved rapid development by adopting the development strategy of providing "one-stop" solid waste treatment comprehensive services, with the aim of realizing a win-win situation among government, residents and enterprises.

During the year under review, the Group successfully obtained 6 waste treatment projects in China, which required a total investment of approximately RMB1,152 million, and had the newly-designed annul solid waste treatment capacity of 1.25 million tons. The above-mentioned projects enable the Group to continuously remain the growth of incineration business, further establish the outstanding advantages of anaerobic business and successfully enter into the hazardous waste treatment business field, so as to continue to solidify the leading position in the industry.

During the year under review, the Company completed the acquisition of 51% shares of BCG NZ Investment Holding Limited ("BCG NZ") with the investment of US$230 million. This acquisition allowed the Group to expand its business into overseas markets and extend its industrial chain to the front-end collection and transportation sector, thus establishing a more complete business model and a new level for the refinement of operating management, and achieved a remarkable increase in asset size and income level, the market influence was significant. BCG NZ Group's experience was able to form the complementary advantages and obtain value increase, so as to further consolidate the position of the Group in the industry.

2016 is the fifth year since Beijing Capital Group Co., Ltd. became the shareholder of the Group, and the Group has made great progress through five years of efforts. With the support of the controlling shareholder, the Group has achieved remarkable achievements in the green environmental protection industry: in domestic businesses, the Group secured a total of 32 projects (including waste-to-energy projects, waste landfill projects, anaerobic treatment projects, waste collection, storage and transportation projects, hazardous waste treatment projects, dismantling waste electronic appliances projects and biomass resources electricity generation projects) with a total investment of approximately RMB9,700 million. The facilities are designed with an aggregate annual waste treatment capacity of approximately 6.97 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units; in international businesses, the Group succeeded in providing solid waste treatment services for more than 200,000 customers through the BCG NZ group, with a total processing capacity of 1.43 million tons per year (including transfer stations). The total assets of the Group amounted to RMB9.26 billion. The Group has established a stable status in the industry and has been awarded as the Top Ten Influential Enterprises by solidwaste.com.cn for five consecutive years.

With the overall implementation of the "13th Five-Year Plan" issued by the central government, the green environmental protection industry has a broader prospect. Looking ahead, the Group is full of confidence. We will strive to enhance our comprehensive business strength, focus on the key link of the industrial chain, accelerate the development of the core business segments and consolidate the status of existing business segments where we enjoy advantages. We will be committed to technological progress and innovation, and make every effort to enhance our corporate governance level to increase our operating efficiency.

I would like to give my most sincere greetings to the management and all colleagues of the Group, and also express my heartfelt thanks to all shareholders, members of the board of directors, the Mainland and Hong Kong people and various departments for their full support. The Group will continue its efforts to protect the environment, serve the community and meet the demand from residents, and seize market opportunities to achieve quality growth, thus to create greater value for shareholders and make greater contributions to building a beautiful home.

Mr. Wu Lishun
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In 2016, global economy still remained weak. The developed countries including the U.S. and Japan underperformed, whilst the emerging developing countries faced a slowdown in economic growth. Although the Eurozone's economy recovered modestly, the global economy is exposed to the constant risk with high uncertainty resulting from the future turmoil caused by the Brexit. As an important engine of the global economy, PRC has been actively transforming its economic structures while continuing to maintain stable economic growth. The development of green economy and environmental protection industry has become the new sources of economic growth which China actively promotes and cultivates, and that are also an important practice for PRC future economic reforms and sustainable development.

The year 2016 is the beginning year of the "13th Five-Year Plan" of China, in which China began to implement the Proposal on Formulating the 13th Five-year Plan on National Economic and Social Development ("the Plan") approved by the Fifth Plenary Session of the 18th Central Committee of the Communist Party of China. The Plan raises the five development concepts of "Innovation, Coordination, Environmental Protection, Open-mindedness and Sharing" and further determines the five national development ideas, development direction and development touching point, so as to show the Country's emphasis on green environmental problems. The 13th Five-Year Plan Period is an important transition stage between the old and new development momentum of Chinese economy, and the green development is expected to be the new engine, an inevitable road through which the economy will be constantly growing and by which quality will be improved and upgrade will be performed. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials, achieving a win-win development in economy, environment and society.

In view of the broad prospects and great potential in the environmental protection industry, driven by brands, strategy, talents and technology, the Group will continue to leverage its comprehensive strength and explore new opportunities for business development by diversified means such as BOT, TOT, BOO, commissioning operation as well as merger and acquisition. Benefiting from the support of and the broad development prospects of environmental protection industry brought by national policies, based on the strong backing from its shareholder Beijing Capital Group Co., Ltd. and the comprehensive capability and resources of the Group, the management are confident of the future development of the Group.

During the year under review, projects of the Group continued to progress steadily. Benefiting from favorable national policies and growing market demand, the Group has made remarkable achievements in market expansion, internal management, fund raising and financing, and the extension of its business chain, stood out from the keen market competition and obtained remarkable operating results, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

In 2016, the Group successfully obtained 6 waste treatment projects in China, which required a total investment of RMB1,152 million, and had the newly-designed annul solid waste treatment capacity of 1.25 million tons. The new projects include the integrated project of solid waste collection, transfer and treatment in Nanyang, Henan; the waste and hazardous resources treatment & utilization project in Meishan, Sichuan; the kitchen waste treatment project in Ningbo, Zhejiang; the concentrated kitchen waste collection and treatment project in Jinzhong, Shanxi; the solid waste collection and transportation project in Xihua county, Zhoukou, Henan and the household waste incineration power generation project in Xihua county, Zhoukou, Henan. The above-mentioned projects enable the Group to continuously remain the growth of incineration business, further establish the outstanding advantages of Anaerobic Digestion Technology treatment business and successfully enter the hazardous waste treatment business field, so as to make full use of the synergistic effect of BCG NZ, continue to solidify and improve the leading position in the industry and fulfill the development strategy of one-stop solid waste treatment comprehensive services for the government and residents.

The Group has been expanding unceasingly in the environmental protection section and achieved a good performance in the extension of overseas market. On 2 September 2016, the Company completed the acquisition of 51% shares of BCG NZ Investment Holding Limited ("BCG NZ") with the consideration of US$230 million. BCG NZ Group has more than 100 years of history in continuing operation, and is the largest waste management service supplier in New Zealand with over 30% market share, and has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers in New Zealand. This acquisition allows the Group to expand its geographical reach to New Zealand, which enhanced the market position, so as to promote the brand into overseas markets. The Group can learn BCG NZ Group's experience in some respects like the overall business model, market extension, collection, storage and transportation system, technical process, treatment technology, operating management, customer service and so on, and implement it in the industrial chain to form the complementary advantages and obtain value increase. The Acquisition will help the Group to increase its shares in the domestic market and further consolidate the leading position of the Group in the environmental protection industry.

With the development of business sectors, in order to meet the demands of local governments and residents, respond to intense market competition and strengthen the efficiency and the synergistic effect, the Group set up investment centers in Beijing, Tianjin and Hebei Province and Hazardous Waste Industrial Department during the year following the successive establishment of investment centers in Jiangxi and Henan provinces, so as to promote intraregional project investment and explore the new investment modes. The new framework will advance the business development in each region.

Being one of the representative projects that demonstrate a high level of competence in the Group, the household waste incineration power plant project in Quanling, Nanchang ("Nanchang Project"), achieves the whole-chain treatment system for the first time, integrating the waste receiving and storage system, waste incineration system, residual heat boiler system, flue gas purification system, leachate treatment system and ash residue removal system to generate a maximum amount of energy while reducing waste to the greatest degree. The heavily polluted water produced by the waste-to energy power plant will be fully reprocessed, so that pollutants such as dioxins and heavy metals can be efficiently removed to realize the target of harmless emission. In addition, to put the concept of recycling into practice, the resulting waste residual will be reused to produce products such as ceramic tiles. Nanchang Project has been approved as an environmental demonstration base by the National Development and Reform Commission.

On 29 December 2016, the Group completed the disposal of 40% equity interest in Beijing Yiqing ("the Disposal"). The Disposal was made by way of public tender auction listing procedures conducted in strict compliance with relevant PRC laws and regulations in relation to transfer of state-owned assets and has obtained approvals from State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and other competent authorities. The reserve price was determined with reference to (among others) the valuation report on Beijing Yiqing prepared by an independent and qualified PRC valuer.

During the year under review, domestic environmental protection and alternative energy projects processed household waste of 1.33 million tons and generated total on-grid electricity of 240,628,200 kWh, an increase of 38.5% and 51.1% respectively compared with 2015.

2016 is the fifth year since Beijing Capital Group Co., Ltd. ("Beijing Capital Group") became the shareholder of the Group. As at 31 December 2016, the Group secured a total of 32 projects (including 12 waste-to-energy projects, 4 waste landfill projects, 5 Anaerobic Digestion Technology treatment projects, 3 waste collection, storage and transportation projects, 3 hazardous waste treatment projects, 2 dismantling waste electronic appliances projects and 3 biomass resources electricity generation projects) with a total investment of approximately RMB9,700 million, and the investment amount amounted to RMB3,150 million as at 31 December 2016. The facilities are designed with an aggregate annual waste treatment capacity of approximately 6.97 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

Looking ahead, given there are huge demand for green environmental protection industry during the economic and social development in China and there are also stronger supporting policies from the PRC government to the industry, with the continued comprehensive support from the shareholder (i.e. Beijing Capital Group), the Group can realize the full potential of all the opportunities for future development. The management of the Group believes that by virtue of the industry resources, the market position and competitive advantages of the Group, the Group will constantly seek projects with growth potential and good opportunities for acquisitions and mergers through integrating and improving the existing business portfolio, constantly summing up experience and keeping track of market trends, thus to make continuous contribution to the protection of global environment, the construction of beautiful China and the achievement of green development.

The Group is on target for increasing its capability in solid waste treatment by at least 6,000 tons per day in the next year. As of 31 December 2016, the Group is proposing and negotiating with potential cooperation partners in relation to the investments in more than five waste treatment projects by way of tender or acquisition. Over the past five years, the Group has reserved a number of projects, which will contribute to the rapid growth of the Group's results once they are entering into the construction and operation period. The development of businesses in New Zealand will enable the Group to achieve a steady growth. Therefore, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

In order to meet the financial needs of the Group's future business development, the Group will conduct adequate research on the change trends in the global capital markets and capital markets, as well as make carefully assessment on the strengths and weaknesses of various financing instruments, so as to consider several sources of funding to finance the future investments by taking account of its short-term, medium-term and long-term funding needs.

FINANCIAL REVIEW

Overview

The consolidated financial statements of the Group have been presented in Hong Kong dollars ("HK$"). Having considered that most of the Group's transactions are denominated and settled in Renminbi ("RMB"), and the change of presentation currency can also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group. The changing of presentation currency was effective on 1 January 2017. In this connection, the Group has changed the presentation currency of the consolidated financial statements as of 31 December 2016 from HK$ to RMB. The comparative figures in the consolidated financial statements have been restated in order to be consistent with the presentation made in RMB in the current year.

Upon the completion of acquisition of 51% shares of BCG NZ by the Group, consolidated statement of financial position of the Group as at 1 January 2015 and 31 December 2015 have been restated, in accordance with the requirements under Accounting Guideline 5 "Merger Accounting for Common Control Combinations", to include the assets and liabilities of BCG NZ and its subsidiaries. The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 have also been restated, to include the results of BCG NZ and its subsidiaries, as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and thereby the Group and BCG NZ first came under common control by Beijing Capital Group.

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached RMB2,707.9 million, similar as compared to the restated comparative figures in 2015. Profit attributable to owners of the Group in 2016 was RMB43.8 million, representing an decrease of RMB114.0 million as compared to the restated comparative figures in 2015. The decrease was mainly due to the increase in administrative expenses and finance costs. The domestic projects increased for the year and several new investment centres were established to meet the needs for rapid development; moreover, overseas mergers and acquisitions also resulted in more professional fees. In addition, interest expenses on borrowings of overseas subsidiaries led to the increase in the overall finance costs of the Group.

FINANCIAL POSITION

As at 31 December 2016, the Group had total assets amounting to approximately RMB9,265.3 million and net assets attributable to the owners of the Company were approximately RMB3,101.9 million. As at 31 December 2016, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 54%, a slightly increase of 3 percentage points from 51% at the end of 2015. The current ratio (which is calculated on the basis of current assets over current liabilities) decreased from approximately 1.92 as at 31 December 2015 to approximately 1.27 as at 31 December 2016.

In order to maximize the shareholders' return and the market capitalization, the Group has internal policies in place so as to maintain its gearing ratio at a reasonable and acceptable level and to ensure the debt-to-total investment ratio for each project shall not be more than 60%. The Group has adopted a capital preservation policy for managing the funds raised but has not been utilized.

During the year under review, the Company issued 4,541,574,877 ordinary shares at HK$0.40 per share as the consideration for the acquisition of the Consideration Shares of BCG NZ. As a result, the issued share capital of the Company was enlarged to 14,294,733,167 ordinary shares.

FINANCIAL RESOURCES

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 31 December 2016, the Group had cash and bank balances and pledged bank deposits of approximately RMB780.0 million, representing a decrease of approximately RMB656.0 million as compared to the restated comparative figures in 2015 of approximately RMB1,436.0 million. The decrease was mainly due to the payment in respect of the infrastructure work under service concession arrangements, investments in new projects and expenditure on daily operation during the year under review. Currently, most of the Group's cash is denominated in RMB, HK$ and New Zealand dollars.

BORROWINGS

As at 31 December 2016, the Group had outstanding borrowings of approximately RMB3,715.7 million, representing an increase of approximately RMB396.3 million as compared to the restated comparative figures in 2015 of approximately RMB3,319.4 million. The borrowings comprised secured loans of approximately RMB578.8 million and unsecured loans of approximately RMB3,136.9 million. The borrowings are denominated in RMB and New Zealand dollars. Approximately 85.1% and 14.9% of the borrowings are at fixed rate and variable rate respectively.

FOREIGN EXCHANGE EXPOSURE

The majority of the Group's sales, purchase and operating expenses were denominated in RMB, HK$, New Zealand dollars and US dollars. Although the Group has been and will continue to be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. During the year, the Group has adopted no formal hedging policies and no instruments have been applied for foreign currency hedging purposes. The management will continue to monitor the foreign exchange exposure flexibly and engage in timely and appropriate hedging activities when needed.

CHARGES ON ASSETS

As of 31 December 2016, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangement and the prepaid lease payment and building of RMB56.4 million.

CAPITAL COMMITMENT ARRANGEMENT

As at 31 December 2016, the Group had capital commitment of approximately RMB506.2 million and RMB73.3 million in respect of the construction work under service concession arrangements and acquisition of property, plant and equipment respectively, which were contracted but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2016, the Group provided guarantees of approximately RMB13.6 million to two banks in respect of banking facilities granted to an associate. The Group also provided guarantees of approximately RMB237.0 million to the New Zealand government authorities on continuous operation of the landfills or meeting the required operational standards.

EMPLOYMENT INFORMATION

As at 31 December 2016, the Group had about 2,558 employees in total, stationed mainly in Mainland China, Hong Kong and New Zealand. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Lishun, aged 41, is a Certified Public Accountant, he was appointed as an executive Director and the Chairman of the Company in December 2016. Mr. Wu obtained a master degree in business administration from Robert H. Smith School of Business at the University of Maryland of the United State and a bachelor degree in International Business Management from International Business School at the University of International Business and Economics. Mr. Wu is currently the deputy general manager of Beijing Capital Group Company Limited, a director of Beijing Capital Co., Ltd. (stock code on Shanghai Stock Exchange: 600008), the vice chairman of Beijing MTR Corporation Limited, the chairman of Beijing Capital Waste Management NZ Ltd. (首創紐西蘭環境治理有限公司), the chairman of Qinhuangdao Star Light Technology Co. Ltd. (秦皇島思泰意達科技發展有限公司), a director of Tianjin Jingjin Expressway Co. Ltd. (天津京津高速公路有限公司) and a director of ECO Industrial Environmental Engineering Co. Ltd. (ECO工業環境工程有限公司). Prior to joining the Beijing Capital Group, Mr. Wu served as a manager in KPMG Huazhen, a director of Beijing Dayue Consulting Co., Ltd., deputy manager of planning and finance department and manager of planning and funding department in Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司).

Mr. Cao Guoxian, aged 53, is a postgraduate, he was appointed as an executive Director and chief executive officer of the Company in July 2011. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation, assistant to the chairmen of Beijing Capital Land Ltd. and deputy officer of the office of Beijing Capital Group Co., Ltd., and he is currently the deputy general manager of Beijing Capital Co., Ltd.. Since 25 June 2014, he has been appointed as a non-executive director of China Environmental Technology Holdings Limited which is a company listed on The Stock Exchange.

Mr. Cao has engaged in overseas investment and financing business for many years, with extensive experience in investment management and wide international perspective. He also has considerable knowledge and operating experience in international investment and financing and capital market.

Mr. Liu Yongzheng, aged 48, was appointed as an executive Director of the Company in September 2015. Mr. Liu obtained a bachelor degree in Economic Law from the School of Law of the Renmin University of China and a master degree from the School of Law of the Temple University of the United States. Mr. Liu is the chairman of Beijing Capital Co., Ltd. and deputy general manager of Beijing Capital Group Co., Ltd.. He served as the general manager of Beijing Capital Co., Ltd., the deputy general manager and general manager of legal department and the General Counsel of Beijing Capital Group Co., Ltd. Prior to joining Beijing Capital Group, Mr. Liu served as a teacher at the Social Science Faculty of Beijing Institute of Meteorology and a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing.

Ms. Zhang Meng, aged 41, was appointed as an executive Director of the Company in December 2016. Ms. Zhang obtained a Master of Science in Environmental Resource Assessment from the Newcastle University of the United Kingdom and a bachelor degree in Environmental Monitoring of the Department of Environmental Engineering of the Beijing University of Technology. Ms. Zhang is currently the director of Beijing Capital Co., Ltd. and the general manager of department of environmental industry of Beijing Capital Group Company Limited. From September 2013 to June 2016, she worked in Beijing Capital Group Company Limited as the deputy general manager of infrastructure department. Prior to this, Ms. Zhang served as the deputy director of development department of the Management Committee of Olympic Green in Beijing, the deputy secretary and Secretary General of the Administration Committee of Common Area in Olympic Green of the Organizing Committee of the 29th Olympic Games, the executive officer of the Operation Center in Olympic Green and leader of Concierge and project manager of the department of environmental engineering of the Engineering and Environmental Bureau of the Organizing Committee of the 29th Olympic Games.

Mr. Yang Bin, aged 49, was appointed as an executive Director of the Company in December 2016. Mr. Yang obtained a bachelor degree in social science from Central South University of Technology (now known as Central South University) and a master degree in business administration from Tsinghua University. Mr. Yang is currently the general manager of infrastructure department of Beijing Capital Group Company Limited and a supervisor of Beijing Capital Co., Ltd.. From October 2014 to August 2016, he was an external director and the Sino general manager of Beijing Capital Waste Management NZ Ltd. (首創紐西蘭環境治理有限公司), a subsidiary of Beijing Capital Group Company Limited. Prior to this, he was a director and the general manager of Hunan Capital Investment Co., Ltd. (湖南首創投資有限責任公司), a subsidiary of Beijing Capital Co., Ltd., the deputy general manager of human resources department, the deputy general manager and general manager of strategic planning department of Beijing Capital Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 69, was appointed as an independent non-executive director of the Company in June 2006. In the past years, he had been actively serving on the consulting and formulating of government policy, including those relating to town planning, urban renewal, public housing and environment matters. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. Since 1987, Mr Pao has been appointed as an independent non-executive director of a company which was listed on the Stock Exchange, so he has rich experience in corporate governance. Currently, he is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, Zhuzhou CRRC Times Electric Co., Ltd., Soundwill Holdings Limited and Maoye International Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 53, was appointed as an independent non-executive director of the Company in January 2010. He is a qualified accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master Degree of accountancy from Jinan University in China and is a professional advisor to several international companies of investment management, textile, retailing, metal trading and manufacturing in China and Japan.

Dr. Chan Yee Wah, Eva, age 51, was appointed as an independent non-executive director of the Company in July 2012. She has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Chartered Secretaries. Dr. Chan graduated from City University of Hong Kong with a Bachelor of Arts in Accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited.

SENIOR MANAGEMENT

Mr. Gu Jinshan, a Doctor degree holder, senior engineer, was appointed as the Deputy General Manager of the Company in February 2015. He is responsible for leading of Investments Department I and Corporate Management.

Mr. Gu obtained a doctor degree in Radio Waves Engineering from Southeast University, a Master degree in Engineering from College of Optoelectronic Science Engineering of Nanjing University of Science and Technology and a Bachelor degree in Electronic Engineering from Changchun University of Science and Technology (formerly known as Changchun Institute of Optics and Fine Mechanics). Mr. Gu was the laser engineer of Nanjing University Institute of Communication Technology of Ningbo Bird Co., Ltd., the operation director the committee member of Party Committee of the Technology & Network Construction Department of China United Network Communications Limited, the committee member of Party Committee and Deputy General Manager of China United Network Communications Limited Tangshan Branch, the Party Committee member of People's Government and assistant to mayor of Meishan city of Sichuan.

Mr. Liu Yanjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for corporate strategies, capital market and management of the Board of the Company. Mr. Liu obtained a Bachelor degree in Environmental Science from the Northeast Normal University and a Master degree in Business Administration from the University of Technology of Sydney, Australia. He was previously a Chief of Office in project management in Harbin Drainage Management, a Senior Investment Manager in PCCW (Beijing) Limited, a Deputy General Manager of the Strategy Department and a General Manager of the International Cooperation Department in Beijing Capital Co. Ltd., and a Deputy General Manager in Beijing Capital (Hong Kong) Limited.

Mr. Liu has over ten years of experience in both areas of environmental protection and capital market. He understands and is familiar with the industry development and the market practices. He participated in and was in charge of the investment in as well as the acquisition and restructuring of a number of environmental protection projects. He possesses extensive solid experience in the formulation of the development strategies for investment companies and the operation of capital market.

Mr. Xu Jinjun, was appointed as the Deputy General Manager of the Company in June 2011. He is responsible for investment, technology and engineering as well as project operational management. Mr. Xu obtained a Master degree from the Chinese Academy of Sciences. He has an educational background in both the management and environmental engineering. He was previously a Secretary to General Manager in Beijing Cement Plant of BBMG Group, a General Manager of the Department of Water Business Unit in Duoyuan Global Water Inc., a General Manager of the Market Management Department in Duoyuan Electricity and Gas, and a Deputy General Manager in Hunan Capital Investment Co., Ltd.

Mr. Xu has over ten years of experience in the environmental protection area. He has extensive knowledge in the financial forecast, laws and regulations, technological standards and relevant industry practices for franchising projects of public utilities. He has a well-developed network in the environmental protection industry and is good at team building and organizational management. He has relatively deep knowledge about and extensive practical experience in the investment, construction and operational management in public infrastructures.

Mr. Wang Wei, was appointed as the Financial Controller of the Company in June 2011 and then as the Chief Financial Officer of the Company in February 2013. He is responsible for the financial management of the Group, and the financial management and financing for project companies. Mr. Wang obtained a Bachelor degree in Accounting and Economics from Capital University of Economics and Business and a Master degree in Professional Accounting from the Business School of Renmin University of China, and obtained the PRC Certified Public Accountant qualification in 2001. He was previously an Auditing Project Manager in Grant Thornton, a Senior Manager of the Audit Department in Tsinghua Tong Fang Co. Ltd., a Senior Investment Manager of the Investment Department and a Senior Investment Analyst of the Financial Department in Beijing Capital Co. Ltd., an expatriate Financial Controller in Shenzhen Capital Water Co. Ltd., an expatriate Financial Controller in Capital AIHUA (Tianjin) Municipal Environmental Engineering Co., Ltd., an expatriate Financial Controller in Haining Capital Water Co., Ltd. and an expatriate Financial Controller in Qingdao Capital Water Co., Ltd..

Mr. Wang has over ten years of experience in the environmental protection area and is familiar with the investment forecast of urban infrastructure projects. He has extensive experience particularly in the financial management and corporate finance of urban infrastructure companies.

Mr. Yan Shengli, was appointed as the Assistant President of the Company in June 2011 and then as the Vice President in January 2013. Mr. Yan is responsible for leading of Operation Center and Legal affairs of the Company.

Mr. Yan obtained a Master Degree of Economic Legal Studies from Huazhong University of Science & Technology and a Bachelor degree in Mathematics from Henan Normal University, is a practicing lawyer of People's Republic of China, an economist and an arbitrator. He has well engaged in PRC law and its expertise knowledge of economic aspect, legal application and practicing compliance. He has practiced as practicing lawyer for more than 20 years' experience and as arbitrator for ten years' experience. He was previously the Legal Consul of several sizable enterprises and government authorities in PRC. He has been familiar with the operation practice, regulations and management style of Government and enterprises; the Secretary of Judiciary Department in Factory 9623 of China North Industries Group Corporation; a senior partner of Henan Ziwu Solicitors & Co., a general manager of Henan Hongda Properties Company; and a partner of Beijing Rongshi Solicitors & Co. and Beijing Chang'an Solicitors & Co..

Mr. Hu Zaichun, was appointed as the Assistant President of the Company in September 2011 and then as the Vice President of the Company in January 2013, responsible for Investments Department II.

Mr. Hu is a postgraduate from University of Chinese Academy of Sciences and Research Center for Eco-Environmental Sciences, Chinese Academy of Sciences, and holds a bachelor degree of geochemistry from the University of Science and Technology of China. He was a visiting scholar of National Center for Atmospheric Research, USA. Mr. Hu served as Assistant Engineer and Engineer in the Investment Division of the Planning Bureau of Chinese Academy of Sciences (Financial Planning Bureau), Secretary of the Office of Chinese Academy of Sciences, Secretary to the Special Inspector of the State Council (Chairman of State-owned Enterprises Supervisor Committee) of the General Administration of Special Inspector of the State Council (Work Office of State-owned Enterprises Supervisor Committee), General Manager of the Property Management Department, Secretary to the First Supervisor Committee, Supervisor of the Second Supervisor Committee in Chinese Academy of Sciences Holdings Co., Ltd.. He took part in the preparation of 光電集團 and Chinese Academy of Sciences Holdings Co., Ltd., and served as Chairman of the Second Session of Board of Directors in Architecture Design and Research of C. A. S, director of the First Session of Board of Directors in CAS Publication Group Co., Ltd, Assistant to the General Manager, Secretary of the Second Session of the Board of Directors and Director of Office of the Party Committee in CAS Publication Group Co., Ltd (Science Press Ltd.).

Ms. Wong Bing Ni, was appointed as company secretary and authorized representative of the Company in June 2010. Ms. Wong is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants, an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a master degree in Professional Accounting and she has over ten years of experience in company secretarial matters, internal control and financial management which acquired from Hong Kong listed companies.

CORPORATE GOVERNANCE REPORT

The board of Directors of the Company (the "Board") believes that high standards of corporate governance are essential to the success of the Company and is committed to maintain a high level of corporate governance standards and practices.

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2016, except for Code Provisions E.1.2 as set out below.

Code Provisions E.1.2 provides that the chairman of the Board (the "Chairman") and the chairman of respective Board committees should attend the annual general meeting of the Company. In addition, the external auditor will be invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

The Company held its annual general meeting on 30 June 2016. Due to other business commitments, Mr. Wang Hao, the Chairman, was unable to attend this annual general meeting. Mr. Cao Guoxian, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and the Company's external auditor attended and answered questions raised by the shareholders of the Company at this annual general meeting physically.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. After a specific enquiry conducted by the Company, all the Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

The Board is primarily responsible for establishing the strategic direction of the Group, setting objective and business development plan for the Group, monitoring the performance of the senior management and assuming responsibility for corporate governance. The Board is also responsible for the preparation and presentation of annual and interim results, risk management, major acquisition(s), and other significant operational and financial matters. Both the Board and the management have clearly defined roles and powers towards internal control, policies and day-to-day operations of the Group's business. The management, under the leadership of the Board, will be empowered to implement the Group's strategies and business objectives.

With a view to achieving a sustainable and balanced development, the Company considers the increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. The Board diversity has been considered in terms of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board currently comprises five executive Directors and three independent non-executive Directors:

Executive Directors
Mr. Wu Lishun *(Chairman)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Liu Yongzheng
Ms. Zhang Meng
Mr. Yang Bin

Independent Non-executive Directors
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

The biographical details of all Directors are set out in the section headed "Board of Directors and Senior Management" of this annual report. Save as disclosed otherwise, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

Every director has sufficient time and attention to deal with the Company's affairs. Every director is required to disclose the number and nature of offices held in public companies or organizations and other significant commitments to the Company on an annual basis.

To comply with Rule 3.10 of the Listing Rules, the Company has appointed three independent non-executive Directors whom the Company considers having the appropriate and sufficient industry or finance experience and qualifications to carry out their duties. Pursuant to the requirements of Rule 3.13 of the Listing Rules, the Company has received annual confirmation of independence from the three independent non-executive Directors. They were free from any business relationship or other circumstances that could materially interfere with the exercise of their independent or objective judgments. The Company is of the view that all the independent non-executive Directors are independent. Also, the three Independent Non-Executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management. Mr. Pao Ping Wing, an independent non-executive director of the Company, has served as an independent non-executive director for the Company more than 9 years. Mr. Pao Ping Wing has been re-appointed as an independent non-executive director for the Company by a separate resolution has been approved by the Company's shareholders in the 2015 annual general meeting. He will be subject to retirement and re-election at the Company's 2017 AGM, which will be considered and passed by the shareholders in the form of independent resolution. Apart from this, there is no independent non-executive director has taken the tenure of office of the Company for more than 9 years.

The Board is circulated with relevant information by the senior management pertaining to matters to be brought before the Board for decision as well as reports relating to operational, business and financial performance of the Group before each board meeting. A 14 days minimum notice is given to all Directors before each regular board meeting and a reasonable notice will also be given for convening other board meetings, to give them the opportunity to prepare for their attendance of such meetings and to provide them with the opportunity to include additional matters in the meeting's agenda. Board papers are dispatched to the Directors at least 3 days before the meeting to ensure they have ample time to review the papers and be adequately prepared for the meeting. Senior management, responsible for the preparation of the Board papers, are invariably invited to present their papers and to take any questions or address any queries that the Board members may have on the papers in the meetings.

The proceedings of the Board at its meeting are conducted by the Chairman of the Company or the person acting the role as the chairman of the meetings who ensures that sufficient time is allocated for discussion and consideration of each agenda item and also equal chances are being given to each Director to express their views and share their concerns.

In considering any matters or transactions at any Board meeting, the Directors are required to declare any direct or indirect interests, and shall abstain from voting at the meeting(s) where appropriate. Minutes of the Board meetings will record in details the matters considered by the Board and the decisions reached. The draft minutes of each Board meeting are sent to the Directors for comments within a reasonable time after the meeting.

During the year under review, the Company held nine board meetings and two general meetings, and all Directors were entitled to attend such meetings. The attendance of each Director is set out below:

	Meeting attendance/held	
	Board meetings	**General meetings**
Executive Directors		
Mr. Wang Hao *(resigned on 20 December 2016*)*	1/8	0/2
Mr. Wu Lishun *(appointed on 20 December 2016**)*	1/1	0/0
Mr. Cao Guoxian	9/9	2/2
Mr. Shen Jianping *(resigned on 20 December 2016*)*	6/8	1/2
Mr. Liu Yongzheng	8/9	0/2
Ms. Zhang Meng *(appointed on 20 December 2016**)*	1/1	0/0
Mr. Yang Bin *(appointed on 20 December 2016**)*	1/1	0/0
Independent Non-executive Directors		
Mr. Pao Ping Wing	9/9	2/2
Mr. Cheng Kai Tai, Allen	9/9	2/2
Dr. Chan Yee Wah, Eva	9/9	1/2

* Mr. Wang Hao and Mr. Shen Jianping resigned as executive Directors of the Company on 20 December 2016. Eight Board meetings and two general meetings were held during the period of their appointment.

** Mr. Wu Lishun, Ms. Zhang Meng and Mr. Yang Bin were appointed as executive Directors of the Company on 20 December 2016. One Board meetings and none general meeting were held during the period of their appointment.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Provision A.6.5 of the Code provides that Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2016, all Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. The trainings and professional development attended by each Director are as follows:

	Type of training
Executive Directors	
Mr. Wang Hao *(resigned on 20 December 2016)*	B
Mr. Wu Lishun *(appointed on 20 December 2016)*	A,B
Mr. Cao Guoxian	A,B
Mr. Shen Jianping *(resigned on 20 December 2016)*	A,B
Mr. Liu Yongzheng	A,B
Ms. Zhang Meng *(appointed on 20 December 2016)*	A,B
Mr. Yang Bin *(appointed on 20 December 2016)*	A,B
Independent Non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	A,B
Dr. Chan Yee Wah, Eva	A,B

Notes:

A: attending seminar/workshops/forums/training courses

B: reading newspapers, publications and updates in relation to economic and environmental issues or duties and responsibilities of Directors

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman (on 20 December 2016, Mr. Wang Hao resigned and Mr. Wu Lishun was appointed), is responsible for the formulation of overall corporate direction and business development strategy of the Group. He is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

The Chief Executive Officer, Mr. Cao Guoxian, is responsible for the day-to-day management of the Group and the implementation of the approved strategies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year under review, each of the independent non-executive Directors has entered into letter of appointment with the Company for a term of three years and all subject to the rotational retirement provisions of the memorandum and articles of association of the Company.

BOARD COMMITTEES

The Board is responsible for performing the corporate governance functions within its terms of reference. The duties of the Board include to develop and review corporate governance policies and practices of the Company; to review and monitor the training and continuous professional development of Directors and senior management, and the Company's policies and practices in compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct applicable to directors and employees; and to review the Company's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report as required under the Appendix 14 of the Listing Rules.

Nomination Committee

The Board established a nomination committee on 15 June 2006 with written terms of reference. During the year under review, the nomination committee comprises four members, the majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Wu Lishun (on 20 December 2016, Mr. Wang Hao resigned and Mr. Wu Lishun was appointed), an executive Director and the Chairman of the Company and other members are the three independent non-executive Directors, namely, Mr. Pao Ping Wing, Mr. Cheng Kai Tai, Allen and Dr. Chan Yee Wah, Eva. The principal roles and functions of the nomination committee include:

— To review the structure, size and composition of the Board at least annually, and taking into consideration of the diversity of the Board, including but not limited to gender, age, cultural and educational background and professional experience to ensure that the Board with business skills, experience and diversity of perspectives, and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

— To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

— To access the independence of independent non-executive directors; and

— To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the Chairman and the Chief Executive Officer.

All nominations of new Directors and Directors for re-election at the annual general meeting are first considered by the nomination committee, its recommendations would then be put forward for the Board's decision. Subsequently, all those Directors are subject to election or re-election by the shareholders in the annual general meeting pursuant to the memorandum and articles of association of the Company. In considering the new appointment or re-election of Directors, the nomination committee will focus their decisions based on attributes such as integrity, loyalty, industry exposure and professional and technical skills together with the ability to contribute time and effort to carry out their duties effectively and responsibly.

During the year under review, the nomination committee had held two meetings, for (i) the nomination of Mr. Wang Hao, Mr. Cao Guoxian, Mr. Shen Jianping, Mr. Liu Yongzheng and Mr. Cheng Kai Tai, Allen who were retiring at the annual general meeting held on 30 June 2016, as Directors and their re-election in the same annual general meeting; and (ii) the nomination of Mr. Wu Lishun, Ms. Zhang Meng and Mr. Yang Bin as executive directors of the Company.

The attendance of each member of the Nomination Committee is set out below:

	Meeting attendance/held
Mr. Wang Hao *(Chairman of Nomination Committee, resigned on 20 December 2016*)*	1/2
Mr. Wu Lishun *(Chairman of Nomination Committee, appointed on 20 December 2016**)*	0/0
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2
Dr. Chan Yee Wah, Eva	2/2

* Mr. Wang Hao resigned as a member and chairman of Nomination Committee on 20 December 2016. Two Nomination Committee meetings were held during the period of his appointment.

** Mr. Wu Lishun was appointed as a member and chairman of Nomination Committee on 20 December 2016. None Nomination Committee meeting was held during the period of his appointment.

Remuneration Committee

The Company established a remuneration committee on 15 June 2006 with written terms of references. During the year under review, the remuneration committee comprises three members, a majority of whom are independent non-executive Directors. The chairman of the committee is Mr. Pao Ping Wing, an independent non-executive Director and other members are Mr. Cheng Kai Tai, Allen, an independent non-executive Director and Mr. Wu Lishun (on 20 December 2016, Mr. Wang Hao resigned and Mr. Wu Lishun was appointed), an executive Director and the Chairman of the Company. The principal roles and functions of the remuneration committee include:

— To make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management of the Group;

— To approve the terms of executive Directors' service contracts;

— To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management of the Group, and make recommendations to the Board of the remuneration of non-executive Directors and independent non-executive Directors;

— To review and approve performance-based remuneration with reference to corporate goals and objectives resolved by the Board from time to time;

— To review and approve the compensation payable to executive Directors and senior management of the Group in connection with any loss or termination of their respective office or appointment; and

— To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct.

During the year under review, the remuneration committee had held two meetings to consider and review remuneration packages for all or individual Directors and all senior management staff.

The attendance of each member of the Remuneration Committee is set out below:

	Meeting attendance/held
Mr. Pao Ping Wing *(Chairman of Remuneration Committee)*	2/2
Mr. Cheng Kai Tai, Allen	2/2
Mr. Wang Hao *(resigned on 20 December 2016*)*	1/2
Mr. Wu Lishun *(appointed on 20 December 2016**)*	0/0

* Mr. Wang Hao resigned as a member of Remuneration Committee on 20 December 2016. Two Remuneration Committee meetings were held during the period of his appointment.

** Mr. Wu Lishun was appointed as a member of Remuneration Committee on 20 December 2016. None Remuneration Committee meeting was held during the period of his appointment.

As incentive to attract, retain and motivate employees and senior management to strive for future developments and expansion of the Group, an annual appraisal had been conducted by the Company and employees are rewarded a performance bonus based on the results of such annual appraisal.

Audit Committee

The Company established an audit committee on 15 June 2006 with written terms of reference in compliance with the Code. The audit committee comprises three independent non-executive Directors namely, Dr. Chan Yee Wah, Eva, Mr. Pao Ping Wing, and Mr. Cheng Kai Tai, Allen respectively. Dr. Chan Yee Wah, Eva is the chairman of the Audit Committee. All of the Audit Committee members possess the necessary qualifications or experience in financial matters and are well versed and well exposed in the accounting and financial areas, which are crucial to their key roles and functions. The principal roles and functions of the committee include:

— To consider and recommend to the Board on the appointment, re-appointment and removal of external auditors, and to approve their remuneration, and any question of their resignation and dismissal;

— To maintain an appropriate relationship with the Group's external auditors;

— To review the financial information of the Group; and

— To oversee the Group's financial reporting system, risk management and internal control systems.

During the year under review, the Audit Committee had held two meetings with the Group's senior management and its external auditors. The attendance of each member of the Audit Committee is set out below:

	Meeting attendance/held
Dr. Chan Yee Wah, Eva *(Chairman of Audit Committee)*	2/2
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2

The works performed by the Audit Committee during the year under review include:

— To review the interim report and interim results announcement for the six months ended 30 June 2016;

— To review the annual report and annual results announcement for the year ended 31 December 2015;

— To review the accounting principles and practices adopted by the Group and other financial reporting matters;

— To discuss with external auditor on any significant findings and audit issues;

— To discuss with management on the effectiveness of the risk management and internal control systems throughout the Group, including financial, operational and compliance controls; and

— To review all significant business affairs managed by the executive Directors.

Minutes of the Audit Committee meeting have recorded the details of the matters considered by the Audit Committee members and the decisions reached. Drafts of these minutes were sent to the Audit Committee members for comments within a reasonable time after the Audit Committee meeting.

AUDITOR'S REMUNERATION

For the year ended 31 December 2016, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	RMB'000
Audit service	3,400
Non-audit service	3,600
	7,000

RISK MANAGEMENT AND INTERNAL CONTROLS

Goals and objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems include a defined management structure with limits of authority, and are designed for the Company to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the achievement of the Company's business objectives.

Main features of the risk management and internal control systems

The Company's risk governance structure clarifies the function of unified leadership to guarantee the overall work efficiency and the performance of their respective duties among departments and mutual cooperation, perfects the internal control to improve its power of execution and builds the review mechanism of internal control to facilitate the effective operation of the system. The Company's risk governance structure and the main duties of each level of the structure are summarized as follows:

Board of Directors

— to determine the nature and extent of the risks the Company is willing to take in achieving the strategic objectives;

— to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;

— to oversee management in the design, implementation and monitoring of the risk management systems; and

— to ensure that the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, internal audit and financial reporting functions.

Management

— to be responsible for the exhaustive risk identification and management, including the collection of risk information, the identification and evaluation of risks;

— to develop the main management guides and operations of daily business process of the Company, including the management methods of internal control, operating control brochure, operating control evaluation brochure, management system, routine performance and information disclosure; and

— to be responsible for carrying out the internal control process and self-check.

Internal Audit Department

As performing the Company's internal audit function, the internal audit department includes:

— to be responsible for leading the construction of internal control;

— to lead the risk assessment and build up the risk register;

— to formulate the risk-oriented internal control plan and perform independent internal control review; and

— to be responsible for reporting to the audit committee the results of internal control review.

Process Used to Identify, Evaluate and Manage Significant Risks

The Company's process used to identify, evaluate and manage significant risks is summarized as follows:

Control Environment

— in accordance with the internal self-development needs of the Company and regulatory requirements of regulatory authorities, the Company eventually sets up an internal control system that possesses the characteristic of the Company to gradually improve the governance level of the Company; and

Risk Assessment

— to identify the Company's risks based on the risk preference and risk tolerance of the Company determined by the Board of directors; and

— to prioritize the risk in accordance with their likelihood of occurrence and impact on the business.

Control Activities

— With reference to the basic standard for enterprise internal control and related guidelines, the Company establishes a completed management system and management process.

Information and Communication

— to regularly report to the Board of directors the results of risk monitoring, including the risk register, internal audit plan and work report prepared by external independent consultants.

Monitoring

In accordance with the internal control and management methods of the internal control, the Company:

— sets up the internal control organization system;

— formulates the specific procedures, methods and work requirements for the risk identification, construction, evaluation and issue of evaluation report; and

— includes the internal control evaluation into the performance appraisal system of the Company to ensure the effectiveness of internal control.

The Company has formulated the policy for the handling and dissemination of inside information. The Company regularly reminds the directors and employees of proper compliance with all policies on inside information. In addition, the Company also performed the internal training on disclosure requirements for public companies in Hong Kong to update the relevant person of latest regulatory requirement. The Company will regularly review and update the guidelines or policies to ensure the compliance with regulatory requirements.

During the year, the Board of directors has engaged the external independent consultant to conduct various agreed upon reviews over the Company's risk management and internal control system and report the findings of the reviews and recommendations to the Board of directors to assist the Board in performing the annual review in terms of the effectiveness of risk management and internal control system for the year ended 31 December 2016.

The Board of directors has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2016, including the financial, operational and compliance controls, and considers that the relevant systems are effective and adequate.

COMPANY SECRETARY

The company secretary (the "Company Secretary") is a full-time employee of the Company, has an understanding of the Company's day-to-day affairs, and shall be responsible to the Board. All Directors are able to seek advice and services from the Company Secretary on the Board procedures and all applicable laws, rules and regulations, and corporate governance matters. The Company Secretary assists the Chairman to prepare agendas and Board papers for meetings and disseminates such documents to the Directors and board committees in a timely manner. The Company Secretary maintains formal minutes of the Board meetings and other Board committee meetings.

During the year ended 31 December 2016, the Company Secretary of the Company had confirmed that she had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 58 of the Articles of Association, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitionist(s) by the Company.

Procedures for putting forward proposals at Shareholders' meeting

The number of Shareholders necessary for putting forward a proposal at a Shareholders' meeting shall be any number of Shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request.

Procedures for proposing an individual person for election as a director

As regards the procedures for proposing an individual person for election as a Director, please refer to the "Procedures for Directors' Election" made available under the Corporate Governance section of the Company's website at www.cehl.com.hk.

Procedures for putting forward enquiries to the Board

Annual general meetings and extraordinary general meetings also provide an effective platform for shareholders to communicate with the Board. Members of the Board (including members of the Audit Committee, the Remuneration Committee and the Nomination Committee) attended shareholders' meetings and make themselves available to answer shareholders' questions. Enquiries of shareholders may also be put forward to the Board in writing through contacting the Company Secretary by way of telephone number, email address or the Company's principal place of business in Hong Kong, as stated in our website.

INVESTOR RELATIONS

Communication with shareholders of the Company is given the highest priority. To promote and enhance investor relations and communications, the Company has established and maintained intensive communication channels with the media, analysts and fund managers through one-on-one meetings, road shows and conferences. Designated members of the Board and the senior management of the Group are given the specific responsibilities to maintain regular dialogues with institutional investors, potential institutional investors, fund managers, shareholders and analysts to keep them abreast of the Company's development.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Company's shareholders in the presence of the Company's external auditors. All the Directors and senior management of the Group will make the special effort to attend, notwithstanding their place of residence. External auditors' presence at the meeting would also allow them to address shareholders' queries. Notice of general meetings together with relevant circulars was dispatched to shareholders and they are encouraged to attend the annual general meeting and other general meetings. The procedure of general meeting was conducted in compliance with the Listing Rules and the articles of association of the Company, where sufficient time was given to shareholders for consideration of resolutions proposed and for question and answer, leading to satisfactory communications between the management and shareholders. Announcement of the resolutions passed at such meeting was published on both the websites of the Stock Exchange and the Company in a timely manner.

During the year ended 31 December 2016, there had been no significant change in the Company's constitutional documents.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 52 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 40 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in Management Discussion and Analysis on pages 7 to 12 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 47 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2016.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 43 to 44 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 38 to the consolidated financial statements.

CONVERTIBLE BONDS AND UNLISTED WARRANTS

A summary of the principal terms of convertible bonds and unlisted warrants are set out in note 35 and note 36 to the consolidated financial statements respectively.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 34 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 51 to the consolidated financial statements, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

The Directors during the year and up to the date of this annual report are:

Executive Directors

Mr. Wang Hao *(Chairman, resigned on 20 December 2016)*
Mr. Wu Lishun *(Chairman, appointed on 20 December 2016)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Shen Jianping *(resigned on 20 December 2016)*
Mr. Liu Yongzheng
Ms. Zhang Meng *(appointed on 20 December 2016)*
Mr. Yang Bin *(appointed on 20 December 2016)*

Independent Non-executive Directors

Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Wu Lishun, Mr. Liu Yongzheng, Ms. Zhang Meng, Mr. Yang Bin, Mr. Pao Ping Wing and Dr. Chan Yee Wah, Eva will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent. In which, Mr. Pao Ping Wing, the independent non-executive director of the Company, has been serving in the Company for more than 9 years. However, there is no evidence suggesting that his independence has already been or will be compromised or affected, especially in terms of the implementation of independent judgment and the provision of objective opinions to the management. The Board is confident that Mr. Pao Ping Wing will present the balanced and objective opinion to continue his valuable contributions to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 13 to 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the existing executive Directors and independent non-executive Directors has entered into letter of appointment with the Company for a term of three years.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

There are no contracts of significance in relation to the Group's business to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2016, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

The Company's share option scheme has expired on 14 June 2016, and the Company has no any share option schemes currently in force.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2016, the following shareholders had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	6,449,026,736 (L)	45.11%
Beijing Capital Co., Ltd.	Interest of a controlled corporation (Note 1)	6,449,026,736 (L)	45.11%
BCG Chinastar International Investment Limited	Beneficial owner (Note 2)	3,116,767,072 (L)	21.80%
Beijing Capital Group Co., Ltd.	Interest of controlled corporations (Note 1 & 2)	9,565,793,808 (L)	66.92%

(L) denotes a long position

Note:

1. Beijing Capital (Hong Kong) Limited was a wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Co., Ltd. were deemed to have interest in the Shares held by Beijing Capital (Hong Kong) Limited for the purposes of the SFO.

2. BCG Chinastar International Investment Limited is the wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Therefore, Beijing Capital Group Co., Ltd. is deemed to be interested in the shares held by BCG Chinastar International Investment Limited in accordance with the SFO.

Save as aforesaid, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2016 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

During the year, the Group has completed the following connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14 and Chapter 14A of the Listing Rules.

Disposal of 40% equity interest in a subsidiary to connected person

On 12 November 2015, an indirectly wholly-owned subsidiary of the Company, J&B Environment Limited ("the Vendor") entered into the share sales and purchase agreement with Beijing Environment Sanitation Engineering Group Company Limited, a company incorporated in PRC, a shareholder of Beijing Yiqing Biomax Green Energy Park Co., Ltd. ("BJ Yiqing Biomax") an indirect non-wholly owned subsidiary of the Company, held 40% equity interest in BJ Yiqing Biomax, as a connected person ("the Purchaser") of the Company at the subsidiary level. pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 40% equity interest in BJ Yiqing Biomax, at a consideration of RMB37,478,920, shall be settled in cash within 3 days after the Disposal is approved by the Approving Authorities. Upon the Completion, the Company's equity interest in BJ Yiqing Biomax will decrease from 60% to 20% and BJ Yiqing Biomax will cease to be a subsidiary of the Company and more financial resources and management efforts could be reallocated to other potential investments which could derive more attractive returns to the Group.

The Board considers that the performance of BJ Yiqing Biomax is yet to meet the Group's expectation. While it is uncertain that the business of BJ Yiqing Biomax will deliver value to the Shareholders in the absence of a timely transition, the Beijing Plant has showcased the knowhow and technologies invested by the Group over the past years and the Group would like to retain 20% of interest in BJ Yiqing Biomax in order to capitalize on any potential return of BJ Yiqing Biomax in the future. Meanwhile, the Board considers that the Disposal will allow the Group to realize the Sale Shares and allocate proceeds from the Disposal to other investment opportunities and improve the financial position of the Group. The disposal recorded the profit of approximately RMB5,012,000, and this disposal was completed on 29 December 2016.

Acquire 51% of the issued share capital of BCG NZ Investment Holding Limited from connected person

on 26 November 2015, the Company entered into an acquisition agreement with BCG Chinastar International Investment Limited ("BCG Chinastar") and Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)") to acquire representing 51% of the issued share capital of the BCG NZ Investment Holding Limited (together with its subsidiaries and 50% controlled joint venture entities collectively referred to as the "Target Group"). The Target Group provides comprehensive waste management services, ranging from collection, recycling, waste disposal to hazardous and industrial waste treatment in New Zealand.

The adjusted acquisition consideration of USD234.4 million (equivalent to approximately RMB1,522,000,000 or HK$1,816,600,000) was fully satisfied by the Company through the allotment and issue of consideration shares. As the completion date of acquisition, the Company allotted and issued to BCG Chinastar and Beijing Capital (HK) a total of 4,541,574,877 ordinary shares at the issue price of HK$0.40 per share, credited as fully paid. These consideration shares represents approximately 31.77% of the Company's issued share capital enlarged by the issued consideration shares.

With respect to the acquisition, as certain applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition exceed 100%, the acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company. BCG Chinastar, the other vendor, is the wholly-owned subsidiary of Beijing Capital Group Co., Ltd., and Beijing Capital Co., Ltd., being the sole shareholder of Beijing Capital (HK), is also the non-wholly-owned subsidiary of Beijing Capital Group Co., Ltd.. Accordingly, Beijing Capital (HK) and BCG Chinastar are connected persons of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board considers that the acquisition is beneficial to the Group for the following reasons:

(a) the Group has been principally operating in the PRC. Acquisition of the Target Group, which operates in the same line of business of the Company in New Zealand, will allow the Group to expand its geographical reach to New Zealand, in which the Group does not currently have a presence, and thus broaden its revenue base, effectively elevate its market position and promote its brand in overseas markets;

(b) the Target Group is the largest waste management service provider in New Zealand and possesses a vertically integrated waste service chain as well as sophisticated management and technical expertise. By adopting a similar service chain and system into the Group's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the acquisition will help the Group expand its footprint in the domestic market and consolidate our leadership in the environmental industry; and

(c) according to the audited accounts of the Target Group for the period from 28 March 2014 to 31 December 2014, the Target Group recorded a revenue of more than RMB1 billion and net profits (after tax) of more than RMB189 million for the period. The Directors therefore believe that the acquisition will substantially enhance the revenue base and profit base of the enlarged Group upon completion.

The acquisition has completed as at 2 September 2016.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 19.9% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 6.1%.

Purchase from the Group's five largest suppliers accounted for 8.4% of the Group's total purchases for the year and purchase from the Group's largest customer included therein accounted for 2.2%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's article of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata to existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 17 to 27 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Information on the Company's implementation of environmental and social responsibilities will be set out in the Environmental, Social and Governance report, which will be uploaded to the websites of the Company and The Stock Exchange of Hong Kong Limited by the end of May, 2017.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wu Lishun
Chairman

Hong Kong, 22 March 2017

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF
CAPITAL ENVIRONMENT HOLDINGS LIMITED
首創環境控股有限公司
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 40 to 153, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and other intangible assets – trade name arising from the acquisition of BCG NZ Investment Holding Limited, its subsidiaries and 50% controlled joint venture entities ("BCG NZ Group")	
We identified the impairment of goodwill and other intangible assets – trade name as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the judgements associated with impairment assessment. Upon the completion of the acquisition of BCG NZ Group on 2 September 2016, the assets and liabilities of BCG NZ Group are accounted for in the consolidated financial statements for the year ended 31 December 2016 using merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The goodwill and other intangible assets – trade name arising from the acquisition of BCG NZ Group are carried in the consolidated statement of financial position as at 31 December 2016 at RMB1,920.81 million and RMB763.61 million, respectively. The management of the Group concluded that there is no impairment loss of on goodwill and other intangible assets – trade name arising from the acquisition of BCG NZ has been recognised for the year ended 31 December 2016 based on the impairment assessment which is a value in use model requiring the application of assumptions to determine the recoverable amount, including discount rate and long-term future growth rate. Details of the key estimations and assumptions applied in respect of impairment assessment of goodwill and trade name are included in Note 19 to the financial statements.	Our procedures in relation to the impairment assessment of goodwill and other intangible assets -trade name included: • obtaining the value in use calculation using cash flow projections approved and used by the management to determine the recoverable amount of cash generating units ("CGU"), with a particular focus on the waste treatment and waste-to-energy business New Zealand CGU; • testing the arithmetical accuracy of the valuation model; • reconciling the data used in the valuation model with the source documents; • challenging the reasonableness of the key assumptions applied in the valuation model, including discount rate and long-term future growth rate together with valuation specialist; and • assessing sensitivity analyses on the discount rate, long-term future growth rate and cash flows to evaluate the extent of impact on the recoverable amount.

Key audit matter	How our audit addressed the key audit matter
Impairment of concession financial assets	
We identified the recoverability of concession financial assets as a key audit matter due to the significance of the balances to the consolidated financial statements. The Group entered into various service concession arrangements with government authorities in the People's Republic of China (the "PRC") in respect of the waste treatment and waste-to-energy business. The concession financial assets represented the guarantee receipt of waste treatment fee from the services concession arrangements during the service concession period. As at 31 December 2016, the carrying amounts of concession financial assets was RMB1,288.56 million which accounted for 30.02% of net assets of the Group.	Our procedures in relation to impairment of concession financial assets, included: • obtaining the service concession financial asset model approved and used by the management to determine the amount of concession financial assets; • testing the arithmetical accuracy of the concession financial asset model; • reconciling the data used in the concession financial asset model with the source documents and service concession agreement signed between the grantors and the Group; and • challenging the reasonableness of the key inputs in the concession financial asset model.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Lau Kai Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 *RMB'000*	2015 *RMB'000* (Restated) *(Note 2)*
Revenue	6&7	**2,707,882**	2,639,432
Cost of sales		**(1,912,556)**	(1,894,330)
Gross profit		**795,326**	745,102
Other income, gains and losses	8	**9,744**	85,908
Administrative expenses		**(485,665)**	(398,786)
Share of results of associates	23	**(13,018)**	7,099
Share of results of joint ventures	24	**64,685**	51,328
Finance costs	9	**(182,263)**	(150,454)
Profit before tax	10	**188,809**	340,197
Income tax expense	11	**(55,148)**	(42,203)
Profit for the year		**133,661**	297,994
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation:			
Exchange difference arising during the year		**140,979**	(119,090)
Share of other comprehensive income (expense) of joint ventures during the year		**41,857**	(35,587)
Effective portion of changes in fair value of hedging instruments		**41**	89
Fair value (loss) gain on available-for-sale investments		**(23,649)**	4,803
Reclassification adjustment for cumulative gain upon disposal of available-for-sale investments		**(117)**	–
Other comprehensive income (expense) for the year (net of tax)		**159,111**	(149,785)
Total comprehensive income for the year		**292,772**	148,209
Profit for the year attributable to:			
Owners of the Company		**43,848**	157,825
Non-controlling interests		**89,813**	140,169
		133,661	297,994
Total comprehensive income attributable to:			
Owners of the Company		**113,349**	83,788
Non-controlling interests		**179,423**	64,421
		292,772	148,209
Earnings per share	15		
Basic		**RMB0.31 cent**	RMB1.29 cents
Diluted		**RMB0.31 cent**	RMB1.29 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated) (Note 2)	1 January 2015 RMB'000 (Restated) (Note 2)
Non-current assets				
Property, plant and equipment	16	**1,686,605**	1,303,279	1,341,357
Other intangible assets	17	**1,882,410**	1,692,462	1,753,570
Goodwill	18	**1,926,869**	1,717,662	1,804,295
Prepaid lease payments	20	**74,563**	73,440	55,297
Concession financial assets	21	**1,225,052**	968,031	1,064,137
Available-for-sale investments	22	**80,131**	86,487	–
Interests in associates	23	**85,277**	95,844	86,472
Investments in joint ventures	24	**472,958**	420,139	460,134
Deposits, prepayments and other receivables	28	**53,737**	59,410	5,043
Deposits paid for construction of infrastructure in service concession arrangements	26	**52,317**	52,830	81,326
Amounts due from associates	29	**8,600**	–	–
Deferred tax assets	37	**11,550**	9,616	–
		7,560,069	6,479,200	6,651,631
Current assets				
Inventories	27	**29,432**	35,962	29,816
Trade receivables	28	**644,401**	524,002	441,734
Deposits, prepayments and other receivables	28	**105,890**	77,204	50,580
Concession financial assets	21	**63,507**	44,198	58,156
Prepaid lease payments	20	**1,882**	1,673	990
Amounts due from associates	29	**39,141**	35,966	18,513
Amount due from an available-for-sale investee		**27,531**	–	–
Tax recoverable		**2,523**	14,409	–
Derivative financial instruments		**–**	107	–
Pledged bank deposits	30	**9,000**	–	17,662
Bank balances and cash	30	**770,954**	1,436,038	645,843
		1,694,261	2,169,559	1,263,294
Assets classified as held for sale	31	**10,985**	264,500	4,649
		1,705,246	2,434,059	1,267,943
Current liabilities				
Trade payables	32(a)	**236,827**	158,573	238,735
Other payables and accruals	32(b)	**452,778**	428,982	501,653
Deferred income	32(c)	**1,400**	1,400	756
Amounts due to shareholders of a subsidiary	32(d)	**149,776**	137,769	147,620
Provisions	33	**800**	800	7,230
Unlisted warrants	36	**–**	–	63
Derivative financial instruments		**137**	–	399
Convertible bonds	35	**–**	–	50,939
Tax payable		**44,278**	44,197	50,959
Bank and other borrowings	34	**458,322**	384,410	3,579,530
		1,344,318	1,156,131	4,577,884
Liabilities associated with assets classified as held for sale	31	**–**	111,424	–
		1,344,318	1,267,555	4,577,884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2016

	NOTES	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated) (Note 2)	1 January 2015 RMB'000 (Restated) (Note 2)
Net current assets (liabilities)		**360,928**	1,166,504	(3,309,941)
Total assets less current liabilities		**7,920,997**	7,645,704	3,341,690
Non-current liabilities				
Deferred income	32(c)	**40,870**	38,200	34,244
Bank and other borrowings	34	**3,257,333**	2,934,949	509,535
Provisions	33	**141,114**	110,668	110,712
Derivative financial instruments		**200**	–	–
Deferred tax liabilities	37	**189,495**	197,382	213,322
		3,629,012	3,281,199	867,813
		4,291,985	4,364,505	2,473,877
Capital and reserves				
Share capital	38	**1,188,219**	797,340	391,336
Reserves		**1,913,658**	2,403,164	978,896
Equity attributable to owners of the Company		**3,101,877**	3,200,504	1,370,232
Non-controlling interests	39	**1,190,108**	1,164,001	1,103,645
		4,291,985	4,364,505	2,473,877

The consolidated financial statements on pages 40 to 153 were approved and authorised for issue by the board of directors on 22 March 2017 and are signed on its behalf by:

WU LISHUN	**CAO GUOXIAN**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Convertible bonds equity reserve RMB'000	Hedging reserve RMB'000	Merger reserve RMB'000 (Note a)	Accumulated (losses) profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2015 (restated) (Note 2)	391,336	1,709,530	(118,742)	78	–	41,585	(1,749)	1,003,021	(1,654,827)	1,370,232	1,103,645	2,473,877
Profit for the year (restated)	–	–	–	–	–	–	–	–	157,825	157,825	140,169	297,994
Exchange differences on translation (restated)	–	–	(60,736)	–	–	–	–	–	–	(60,736)	(58,354)	(119,090)
Share of other comprehensive expense of joint ventures	–	–	(18,149)	–	–	–	–	–	–	(18,149)	(17,438)	(35,587)
Fair value change of available-for-sale investments	–	–	–	–	4,803	–	–	–	–	4,803	–	4,803
Change in fair value of cash flows hedge	–	–	–	–	–	–	45	–	–	45	44	89
Total comprehensive (expense) income for the year (restated)	–	–	(78,885)	–	4,803	–	45	–	157,825	83,788	64,421	148,209
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	11,510	11,510
Rights issue (Note 38)	382,801	1,339,804	–	–	–	–	–	–	–	1,722,605	–	1,722,605
Share issuance expenses	–	(12,523)	–	–	–	–	–	–	–	(12,523)	–	(12,523)
Acquisition of businesses (Note 40(b))	–	–	–	–	–	–	–	–	–	–	4,905	4,905
Conversion of convertible bonds (Note 35)	23,203	76,099	–	–	–	(41,585)	–	–	–	57,717	–	57,717
2015 Interim dividend declared by BCG NZ	–	–	–	–	–	–	–	(21,315)	–	(21,315)	(20,480)	(41,795)
Lapse of share option (Note 51)	–	–	–	(78)	–	–	–	–	78	–	–	–
At 31 December 2015 (restated)	797,340	3,112,910	(197,627)	–	4,803	–	(1,704)	981,706	(1,496,924)	3,200,504	1,164,001	4,364,505

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company											
	Share capital *RMB'000*	Share premium *RMB'000*	Translation reserve *RMB'000*	Share option reserve *RMB'000*	Investment revaluation reserve *RMB'000*	Convertible bonds equity reserve *RMB'000*	Hedging reserve *RMB'000*	Merger reserve *RMB'000* *(Note a)*	Accumulated (losses) profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
Profit for the year	–	–	–	–	–	–	–	–	43,848	43,848	89,813	133,661
Exchange differences on translation	–	–	71,899	–	–	–	–	–	–	71,899	69,080	140,979
Share of other comprehensive income of joint ventures	–	–	21,347	–	–	–	–	–	–	21,347	20,510	41,857
Fair value change of available-for-sale investments	–	–	–	–	(23,649)	–	–	–	–	(23,649)	–	(23,649)
Reclassification adjustment for cumulative gain upon disposal of available-for-sale investment	–	–	–	–	(117)	–	–	–	–	(117)	–	(117)
Change in fair value of cash flows hedge	–	–	–	–	–	–	21	–	–	21	20	41
Total comprehensive income (expense) for the year	–	–	93,246	–	(23,766)	–	21	–	43,848	113,349	179,423	292,772
Acquisition of BCG NZ (Note 38)	390,879	859,935	–	–	–	–	–	(1,250,814)	–	–	–	–
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	64,111	64,111
Acquisition of a subsidiary (Note 40(a))	–	–	–	–	–	–	–	–	–	–	19,212	19,212
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	–	–	(510)	(510)
Disposal of a subsidiary (Note 41)	–	–	–	–	–	–	–	–	–	–	(32,467)	(32,467)
2015 Final dividend declared by BCG NZ	–	–	–	–	–	–	–	(135,920)	–	(135,920)	(130,589)	(266,509)
2016 Interim dividend declared by BCG NZ	–	–	–	–	–	–	–	(76,056)	–	(76,056)	(73,073)	(149,129)
At 31 December 2016	1,188,219	3,972,845	(104,381)	–	(18,963)	–	(1,683)	(481,084)	(1,453,076)	3,101,877	1,190,108	4,291,985

Note:

(a) Merger reserve represents the difference between the fair value of the consideration paid to Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), a substantial shareholder with significant influence to the Company and BCG Chinastar International Investment Limited ("BCG Chinastar"), a wholly owned subsidiary of the Company's ultimate controlling shareholder, Beijing Capital Group Co, Ltd ("Beijing Capital Group"), for the acquisition of 51% interest in BCG NZ Investment Holding Limited ("BCG NZ") and its subsidiaries which are under common control of Beijing Capital Group, and the carrying amounts of the net assets of BCG NZ acquired.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 *RMB'000*	2015 *RMB'000* (Restated)
OPERATING ACTIVITIES			
Profit for the year		**133,661**	297,994
Adjustments for:			
Income tax expense		**55,148**	42,203
Depreciation of property, plant and equipment		**201,965**	181,329
Amortisation of intangible assets		**63,666**	60,058
Amortisation of prepaid lease payments		**2,239**	1,408
Finance costs		**182,263**	150,454
Interest income		**(86,961)**	(102,536)
Impairment loss recognised in respect of trade receivables		**1,771**	680
Impairment loss recognised in respect of deposits, prepayments and other receivables		**5,200**	14,819
Impairment loss on goodwill		**11,572**	–
Reversal of impairment loss recognised in respect of amount due from an investee		**(1,869)**	(22,192)
Reversal of impairment loss recognised in respect of other receivables		**–**	(24,784)
Gain on disposal of a subsidiary		**(5,012)**	–
Share of results of associates		**13,018**	(7,099)
Share of results of joint ventures		**(64,685)**	(51,328)
Gain on fair value change of warrants		**–**	(63)
Loss on disposal of available-for-sale investments		**100**	752
Loss (gain) on disposal of property, plant and equipment		**623**	(2,524)
Gain on step acquisition		**–**	(20,359)
Unrealised exchange gain		**(9,056)**	(14,153)
Operating cash flows before movements in working capital		**503,643**	504,659
Decrease in inventories		**27,158**	7,690
Increase in trade receivables		**(96,506)**	(98,463)
Increase in deposits, prepayments and other receivables		**(16,170)**	(32,581)
Increase in concession financial assets		**(212,247)**	(57,260)
Increase in assets held for sales		**(3,777)**	(1,929)
Increase (decrease) in trade payables		**8,102**	(91,061)
Increase (decrease) in other payables and accruals		**115,421**	(118,980)
Decrease in provision		**(3,288)**	(3,767)
Increase in deferred income		**4,070**	4,600
Cash generated from operations		**326,406**	112,908

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000 (Restated)
Hong Kong profits tax paid		**(31,811)**	(22,427)
Tax paid for other jurisdictions		**(43,820)**	(55,947)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**250,775**	34,534
INVESTING ACTIVITIES			
Deposits paid to contractors for construction of infrastructure in service concession arrangements		**(61,351)**	(52,408)
Purchase of property, plant and equipment		**(404,372)**	(238,635)
Proceeds on disposal of property, plant and equipment		**3,376**	11,818
Repayment from an investee		**1,869**	22,192
Interest received		**16,369**	35,691
Deposits paid for potential acquisitions		**(22,048)**	(22,200)
Acquisition of businesses	40	**(78,950)**	(61,300)
Payment of consideration payable for acquisition made in prior year		**(12,500)**	–
Acquisition of an associate		**(240)**	–
Proceeds on disposal of a subsidiary	41	**30,832**	–
Advance made to an associate		**(8,600)**	–
Repayment from an associate		**4,600**	–
Capital injection to an associate		**(8,485)**	–
Repayment from a non-controlling shareholder		**10,500**	–
Repayment from a related company of a former shareholder of a subsidiary		**4,000**	–
Placement of time deposits with original maturity over three months		**(15,000)**	–
Placement of pledged bank deposit		**(9,000)**	–
Withdrawal of pledged bank deposits		**–**	17,662
Dividend received from joint ventures		**53,723**	36,119
Purchase of other tangible assets		**(14,807)**	(329)
Proceeds from sale of available-for-sale investments		**1,596**	2,712
Investment reimbursement		**–**	3,908
Purchase of prepaid lease payments		**(3,691)**	–
Purchase of available-for-sale investments		**(2,873)**	(85,264)
NET CASH USED IN INVESTING ACTIVITIES		**(515,052)**	(330,034)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 *RMB'000*	2015 *RMB'000* (Restated)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		–	1,722,605
Repayment of borrowings and other loans		(434,410)	(961,993)
Interest paid		(243,765)	(56,763)
Bank and other charges paid		(900)	(9,665)
Share issuance expenses		–	(12,523)
Dividends paid by BCG NZ		(418,364)	(39,596)
New borrowings raised		578,172	453,340
Capital contribution from non-controlling interests of subsidiaries		64,111	1,010
Acquisition of non-controlling interests		(510)	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(455,666)	1,096,415
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(719,943)	800,915
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		34,588	(5,449)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,441,309	645,843
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		755,954	1,441,309
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		770,954	1,436,038
Cash and cash equivalent classified as assets held for sale	31	–	5,271
Less: Time deposits with original maturity over 3 months	30	(15,000)	–
		755,954	1,441,309

1. GENERAL

Capital Environment Holdings Limited (the "Company") was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 27 May 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 13 July 2006. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The principal activity of the Company and its subsidiaries is waste treatment and waste-to-energy business.

The functional currency and the presentation currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates.

The presentation currency of the Company in prior years was Hong Kong Dollars ("HK$"). The directors of the Company considered that (i) most of the Group's transactions are denominated and settled in RMB; and (ii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of the HK$ against the RMB, which is not due to the operations and beyond the control of the Group, on the consolidated financial statements of the Group, enabling the shareholders of the Company to have a more accurate picture of the Group's financial performance. The change in presentation currency of the Company has been applied retrospectively in accordance with HKAS 8 *Accounting Policies, Change in Accounting Estimates, and Errors*, and the comparative figures as at 1 January 2015 and 31 December 2015 and for the year ended 31 December 2015 have been retranslated to RMB and restated accordingly.

2. MERGER ACCOUNTING AND RESTATEMENTS

The Group accounts for all its business combinations involving entities under common control using the principles of merger accounting.

In current year, the Group acquired 51% interests in BCG NZ together with its subsidiaries (the "Acquisition") from BCG Chinastar and Beijing Capital (HK), wholly-owned subsidiaries of the Group's ultimate controlling shareholder, Beijing Capital Group, at a consideration of HK$1,816,630,000 (approximately RMB1,557,342,000) to be settled by the allotment and issue of 4,541,574,877 new shares of HK$0.10 each at an issue price of HK$0.40 per share to BCG Chinastar and Beijing Capital (HK) for the Acquisition. BCG NZ and its subsidiaries are engaged in waste treatment and waste-to-energy business in the New Zealand. The Acquisition was completed on 2 September 2016. At the date of completion, the fair value of the shares issued by the Company, determined based on the quoted market price on 2 September 2016 of HK$0.32 per share, amounted to HK$1,453,304,000 (approximately RMB1,250,814,000).

Since BCG NZ and the Group are under common control by Beijing Capital Group before and after the Acquisition, the Group has applied the principles of merger accounting with reference to Accounting Guideline 5 *Merger Accounting for Common Control Combinations* to the Acquisition issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as if the common control combination had been effected since 28 March 2014, the date when BCG NZ was incorporated by Beijing Capital Group and thereby the Group and BCG NZ first came under common control of Beijing Capital Group.

The consolidated statements of financial position of the Group as at 1 January 2015 and 31 December 2015 have been restated to include the assets and liabilities of BCG NZ and its subsidiaries as if they were within the Group since 28 March 2014. The consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows for the year ended 31 December 2015 have also been restated to include the results and the cash flows of BCG NZ and its subsidiaries since BCG NZ and the Group were under common control by Beijing Capital Group from 28 March 2014.

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015 are as follows:

	For the year ended 31 December 2015 as previously reported *HK$'000*	For the year ended 31 December 2015 as restated for the change in presentation currency (Note 1) *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	For the year ended 31 December 2015 as restated *RMB'000*
Revenue	838,138	679,730	1,959,702	2,639,432
Cost of sales	(674,129)	(546,719)	(1,347,611)	(1,894,330)
Other income, gains or losses	66,652	54,055	31,853	85,908
Administrative expenses	(119,048)	(96,548)	(302,238)	(398,786)
Share of results of associates	8,754	7,099	–	7,099
Share of results of joint ventures	–	–	51,328	51,328
Finance costs	(88,929)	(72,121)	(78,333)	(150,454)
Income tax credit (expense)	536	435	(42,638)	(42,203)
Profit for the year	31,974	25,931	272,063	297,994
Other comprehensive (expense) income:				
Exchange difference arising during the year	(104,318)	–	(119,090)	(119,090)
Share of other comprehensive expense of joint ventures	–	–	(35,587)	(35,587)
Share of other comprehensive expense of an associate	(4,511)	–	–	–
Effective portion of changes in fair value of hedging instruments arising during the year	–	–	89	89
Fair value gain on available-for-sale investments	5,922	4,803	–	4,803
Other comprehensive (expense) income for the year (net of tax)	(102,907)	4,803	(154,588)	(149,785)
Total comprehensive (expense) income	(70,933)	30,734	117,475	148,209
Profit for the year attributable to:				
Owners of the Company	23,518	19,073	138,752	157,825
Non-controlling interests	8,456	6,858	133,311	140,169
	31,974	25,931	272,063	297,994
Total comprehensive (expenses) income attributable to:				
Owners of the Company	(75,613)	23,876	59,912	83,788
Non-controlling interests	4,680	6,858	57,563	64,421
	(70,933)	30,734	117,475	148,209
Earnings per share				
Basis	HK0.30 cent	RMB0.16 cent	RMB1.13 cents	RMB1.29 cents
Diluted	HK0.30 cent	RMB0.16 cent	RMB1.13 cents	RMB1.29 cents

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statements of financial position as at 1 January 2015 and 31 December 2015 are summarised below:

	As at 1 January 2015 as previously reported *HK$'000*	As at 1 January 2015 as restated for the change in presentation currency (Note 1) *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	As at 1 January 2015 as restated *RMB'000*
Non-current assets				
Property, plant and equipment	118,084	94,467	1,246,890	1,341,357
Other intangible assets	360,210	288,168	1,465,402	1,753,570
Goodwill	13,810	11,048	1,793,247	1,804,295
Prepaid lease payments	69,121	55,297	–	55,297
Concession financial assets	1,330,171	1,064,137	–	1,064,137
Interests in associates	108,090	86,472	–	86,472
Interests in joint ventures	–	–	460,134	460,134
Deposits, prepayments and other receivables	4,375	3,500	1,543	5,043
Deposit paid for construction of infrastructure in service concession arrangements	101,658	81,326	–	81,326
Current assets				
Inventories	26,294	21,035	8,781	29,816
Trade receivables	217,656	174,125	267,609	441,734
Deposits, prepayments and other receivables	55,269	44,215	6,365	50,580
Concession financial assets	72,695	58,156	–	58,156
Prepaid lease payments	1,238	990	–	990
Amounts due from associates	23,141	18,513	–	18,513
Pledged bank deposits	22,077	17,662	–	17,662
Bank balances and cash	468,231	374,584	271,259	645,843
Assets classified as held for sale	–	–	4,649	4,649
Current liabilities				
Trade payables	(132,297)	(105,838)	(132,897)	(238,735)
Other payables and accruals	(322,834)	(258,268)	(243,385)	(501,653)
Deferred income	(945)	(756)	–	(756)
Amounts due to shareholders of a subsidiary	–	–	(147,620)	(147,620)
Provisions	(9,038)	(7,230)	–	(7,230)
Unlisted warrants	(79)	(63)	–	(63)
Derivative financial instruments	–	–	(399)	(399)
Convertible bonds	(63,674)	(50,939)	–	(50,939)
Tax payable	(54,641)	(43,713)	(7,246)	(50,959)
Bank and other borrowings	(1,025,913)	(820,730)	(2,758,800)	(3,579,530)
Non-current liabilities				
Deferred income	(42,805)	(34,244)	–	(34,244)
Bank and other borrowings	(636,919)	(509,535)	–	(509,535)
Provisions	–	–	(110,712)	(110,712)
Deferred tax liabilities	(10,435)	(8,348)	(204,974)	(213,322)
Total net assets	692,540	554,031	1,919,846	2,473,877
Equity and reserves	488,889	391,110	979,122	1,370,232
Non-controlling interests	203,651	162,921	940,724	1,103,645
Total capital and reserves	692,540	554,031	1,919,846	2,473,877

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of financial position as at 1 January 2015 and 31 December 2015 are summarised below: (Continued)

	As at 31 December 2015 as previously reported *HK$'000*	As at 31 December 2015 as restated for the change in presentation currency (Note 1) *RMB'000*	Adjustment for the Acquisition using merger accounting *RMB'000*	As at 31 December 2015 as restated *RMB'000*
Non-current assets				
Property, plant and equipment	121,472	101,793	1,201,486	1,303,279
Other intangible assets	411,151	344,544	1,347,918	1,692,462
Goodwill	21,035	17,627	1,700,035	1,717,662
Prepaid lease payments	87,637	73,440	–	73,440
Concession financial assets	1,155,168	968,031	–	968,031
Available-for-sale investments	103,207	86,487	–	86,487
Interests in associates	114,372	95,844	–	95,844
Interests in joint ventures	–	–	420,139	420,139
Deposits, prepayments and other receivables	65,244	54,674	4,736	59,410
Deposit paid for construction of infrastructure in service concession arrangements	63,043	52,830	–	52,830
Deferred tax assets	11,475	9,616	–	9,616
Current assets				
Inventories	31,137	26,093	9,869	35,962
Trade receivables	317,560	266,115	257,887	524,002
Deposits, prepayments and other receivables	82,262	68,936	8,268	77,204
Concession financial assets	52,742	44,198	–	44,198
Prepaid lease payments	1,997	1,673	–	1,673
Amounts due from associates	42,919	35,966	–	35,966
Tax recoverables	–	–	14,409	14,409
Derivative financial instruments	–	–	107	107
Bank balances and cash	1,201,352	1,006,733	429,305	1,436,038
Assets classified as held for sale	308,037	258,135	6,365	264,500
Current liabilities				
Trade payables	(25,934)	(21,733)	(136,840)	(158,573)
Other payables and accruals	(145,176)	(121,658)	(307,324)	(428,982)
Deferred income	(1,671)	(1,400)	–	(1,400)
Amounts due to shareholders of a subsidiary	–	–	(137,769)	(137,769)
Provisions	(955)	(800)	–	(800)
Tax payable	(52,741)	(44,197)	–	(44,197)
Bank and other borrowings	(458,723)	(384,410)	–	(384,410)
Liabilities associated with assets classified as held for sales	(132,964)	(111,424)	–	(111,424)
Non-current liabilities				
Deferred income	(45,585)	(38,200)	–	(38,200)
Bank and other borrowings	(479,452)	(401,780)	(2,533,169)	(2,934,949)
Provisions	–	–	(110,668)	(110,668)
Deferred tax liabilities	(21,664)	(18,154)	(179,228)	(197,382)
Total net assets	2,826,945	2,368,979	1,995,526	4,364,505
Equity and reserves	2,599,006	2,182,785	1,017,719	3,200,504
Non-controlling interests	227,939	186,194	977,807	1,164,001
Total capital and reserves	2,826,945	2,368,979	1,995,526	4,364,505

2. MERGER ACCOUNTING AND RESTATEMENTS *(Continued)*

The effects of the application of merger accounting on the consolidated statement of cash flows for the year ended 31 December 2015 are summarised below:

	For the year ended 31 December 2015 as previously reported	For the year ended 31 December 2015 as restated for the change in presentation currency (Note 1)	Adjustment for the Acquisition using merger accounting	For the year ended 31 December 2015 as restated
	HK$'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash (used in) generated from operating activities	(456,883)	(402,504)	437,038	34,534
Net cash used in investing activities	(144,496)	(115,587)	(214,447)	(330,034)
Net cash from (used in) financing activities	1,368,673	1,141,358	(44,943)	1,096,415
Net increase in cash and cash equivalents	767,294	623,267	177,648	800,915
Effect of foreign exchange rate changes	(27,883)	14,153	(19,602)	(5,449)
Cash and cash equivalents at beginning of the year	468,231	374,584	271,259	645,843
Cash and cash equivalents at end of the year	1,207,642	1,012,004	429,305	1,441,309

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in current year:

Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012 – 2014 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 1 *Disclosure Initiative*

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management and financial instruments was reordered to Notes 46 and 47, respectively. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customers and the Related Amendments*[1]
HKFRS 16	*Leases*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 7	*Disclosure Initiative*[4]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[4]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria). The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contract*s and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18, however, the allocation of total consideration to the respective performance obligations will be based on relative fair values which will potentially affect the timing and amounts of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the directors of the Company performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB212,574,000 as disclosed in Note 43. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Amendments to HKAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors anticipate the application of the other new and amendments to HKFRSs will have no material impact on the Group's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income/consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

A CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interests in joint operations *(Continued)*

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator, the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Assets classified as held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Service income including waste collection, waste landfill, waste recycling, electronic appliance dismantling and operating service provided under service concession arrangements is recognised when services are provided. For electronic appliance dismantling services, the receipts of consideration are deferred for 1 to 3 years and thus the fair value of the consideration is determined by discounting all future receipts using an imputed interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Technical waste (liquid and hazardous) services income is recognised by reference to the completion of service orders.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Revenue from sales of goods is recognised when goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

Where the outcome of a construction contract including construction services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment including buildings and freehold land held for use in the production or supply of goods or services, or for administrative purpose other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except that the depreciation of landfill development costs is based on the portion used in the financial period as compared to the total anticipated waste volume of the landfill concerned, depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Freehold land	Not depreciated
Buildings	Shorter of useful life of 25 years or the lease terms
Leasehold improvement	Shorter of useful life of 5 years or the lease terms
Plant and machinery	6.67% to 20.00%
Furniture, fixtures and equipment	10.00% to 33.33%
Motor vehicles	6.67% to 33.33%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, other receivables, concession financial assets, amounts due from an investee and an associate and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of that security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance for an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequently to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade payables, other payables, and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in profit or loss in the line item relating to the hedged item. The adjustment to the carrying amount of the hedged item for which the effective interest method is used is amortised to profit or loss when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date the amortisation begins.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Hedge accounting *(Continued)*

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and accumulated under the heading of hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment loss.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Service concession arrangements

Consideration received or receivable by the Group for the provision of construction service in a service concession arrangement is recognised at its fair value as a financial asset.

When the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services and the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law, it recognises a financial asset under loans and receivables at fair value upon initial recognition. Subsequent to initial recognition, the financial asset is carried at amortised cost using the effective interest method, less any identified impairment losses.

When the Group has a right to charge for usage of service concession arrangement as a consideration for providing service in a service concession arrangement, which is not an unconditional right to receive cash because the amounts are contingent on the extent of waste treatment/electricity generation. The right is recognised as an intangible asset at fair value upon initial recognition. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible asset arising from a service concession arrangement is calculated to write off their costs over their useful lives, using straight-line basis. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements *(Continued)*

Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations under the service concession arrangements to maintain the infrastructure to a specified level of serviceability, or to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement. These contractual obligations to maintain and restore the infrastructure are measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision, including those arising from the contractual obligation specified in the service concession arrangement to maintain or restore the infrastructure before it is handed over to the grantor, is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Retirement benefit costs

Payments to the defined contributions retirement benefit plans are recognised as expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of goodwill and trade name

Determining whether goodwill and trade name are impaired requires an estimation of the recoverable amount of the CGU to which goodwill and trade name have been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash, a material impairment loss/further impairment loss may arise. As at 31 December 2016, the carrying amount of goodwill and trade name are RMB1,926,869,000 and RM763,609,000, respectively (2015: RMB1,717,662,000 (restated) and RMB695,391,000 (restated) respectively. Impairment loss of RMB11,572,000 has been recognised for the goodwill for the year ended 31 December 2016 (2015: Nil) and no impairment has been recognised for trade name for the years ended 31 December 2015 and 2016. Details of the recoverable amount calculation are disclosed in Note 19.

Estimated impairment of concession financial assets

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2016, the carrying amount of concession financial assets is RMB1,288,559,000 (2015: RMB1,012,229,000 (restated)). During the years ended 31 December 2016 and 2015, there is no impairment recognised in profit or loss for concession financial assets.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of trade receivables, deposits, prepayments and other receivables

The policy for provision for impairment of trade receivables, deposits, prepayments and other receivables of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade receivables, deposits, prepayments and other receivables in the consolidated statement of financial position as at 31 December 2016 were RMB644,401,000 (2015: RMB524,002,000 (restated)) and RMB159,627,000 (2015: RMB136,614,000 (restated)), respectively, further details of which are set out in Note 28 to the consolidated financial statements. Impairment loss of RMB1,771,000 (2015: RMB680,000 (restated)) and RMB5,200,000 (2015: RMB14,819,000 (restated)) was recognised during the year ended 31 December 2016 in relation to trade receivables and other receivables that have been overdue for more than 365 days, respectively.

Estimated useful lives and impairment of property, plant and equipment and other intangible assets

Property, plant and equipment and other intangible assets are stated at cost less subsequent accumulated depreciation or amortisation and accumulated impairment losses. The estimation of their useful lives impacts the level of annual depreciation or amortisation expenses recorded.

If there is any indication of impairment, determining the extent to which property, plant and equipment and other intangible assets are impaired requires an estimation of the value in use of the CGUs to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. As at 31 December 2016, the carrying amount of property, plant and equipment and other intangible assets are RMB1,686,605,000 and RMB1,882,410,000 (2015: RMB1,303,279,000 (restated) and RMB1,692,462,000 (restated)), respectively.

Provisions for site restoration

A provision for future landfill site restoration and aftercare costs is recognised when the activities giving rise to the need for site restoration and aftercare have commenced. Management estimates the present value of the future cash flows expected to be incurred, which increases each period due to the passage of time. Any increase in the provision due to the change in present value is recognised in the statement of profit or loss as a time value adjustment. Management will re-evaluate the estimate at the end of each reporting period.

Future landfill site restoration and aftercare costs provided for are initially capitalised in the statement of financial position. Any change in the provision for future landfill site restoration and aftercare costs arising from a change in estimate of those costs is also recognised in non-current assets in the consolidated statement of financial position. As at 31 December 2016, the carrying amount of provision made are RMB141,114,000 (2015: RMB110,668,000 (restated)).

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Waste collection services	**1,354,932**	1,223,676
Waste landfill services	**390,189**	414,125
Waste recycling services	**122,097**	111,364
Electronic appliance dismantling services	**148,123**	235,982
Technical waste (liquid and hazardous) services	**227,418**	204,413
Sales of dismantled products	**133,265**	96,404
Construction service under service concession arrangements	**196,484**	203,526
Operation service under service concession arrangements	**26,311**	44,221
Effective interest income on concession financial assets	**70,592**	69,530
Others	**38,471**	36,191
	2,707,882	2,639,432

7. SEGMENT INFORMATION

Information reported to the Company's executive directors, being the chief operating decision makers (the "CODM"), for the purposes of allocating resources to segments and assessing their performance are organised on the basis of the geographical locations of the businesses.

The Group has only one reportable segment, being the waste treatment and waste-to-energy business in the People's Republic of China (the "PRC") for the year ended 31 December 2015. Following the completion of the Acquisition under common control as detailed in Note 2, an additional segment has been identified and presented in these consolidated financial statements, comparative figures have been restated accordingly.

The Group's reportable segments are (a) waste treatment and waste-to-energy business in the PRC and (b) waste treatment and waste-to-energy business in the New Zealand.

The waste treatment and waste-to-energy business in the PRC and New Zealand include a number of operations in various location each of which is considered as a separate operating segment by the CODM, these individual operating segments have been aggregated into single operation segment respectively in the PRC and New Zealand taking into account the type of customers, the nature of services, and the regulatory environment.

7. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2016

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Consolidated *RMB'000*
Revenue	606,712	2,101,170	2,707,882
Cost of sales	(503,316)	(1,409,240)	(1,912,556)
Gross profit	103,396	691,930	795,326
Segment results	(54,840)	265,426	210,586
Unallocated other income, gains and losses			618
Unallocated administration expense			(22,395)
Profit before taxation			188,809

For the year ended 31 December 2015

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Consolidated *RMB'000*
Revenue	679,730	1,959,702	2,639,432
Cost of sales	(546,719)	(1,347,611)	(1,894,330)
Gross profit	133,011	612,091	745,102
Segment results	67,397	314,701	382,098
Unallocated other income, gains and losses			1,340
Unallocated administration expense			(21,501)
Unallocated finance costs			(21,740)
Profit before taxation			340,197

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment result represents (loss) profit earned by each segment without allocation of certain administration expense, other income, gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 31 December 2016

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Consolidated *RMB'000*
Assets			
Segment assets	**3,370,545**	**5,729,466**	**9,100,011**
Unallocated assets			
– Bank balances and cash			**93,232**
– Available-for-sale investments			**63,898**
– Other unallocated corporate assets			**8,174**
Consolidated total assets			**9,265,315**
Liabilities			
Segment liabilities	**1,211,908**	**3,749,382**	**4,961,290**
Unallocated liabilities			
– Other unallocated corporate liabilities			**12,040**
Consolidated total liabilities			**4,973,330**

As at 31 December 2015

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Consolidated *RMB'000*
Assets			
Segment assets	3,236,267	5,400,524	8,636,791
Unallocated assets			
– Bank balances and cash			184,593
– Available-for-sale investments			86,487
– Other unallocated corporate assets			5,388
Consolidated total assets			8,913,259
Liabilities			
Segment liabilities	1,137,119	3,404,998	4,542,117
Unallocated liabilities			
– Other unallocated corporate liabilities			6,637
Consolidated total liabilities			4,548,754

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the purpose of monitoring segment performances and allocating resources between segments:

– all assets are allocated to operating segments other than bank balances and cash, available-for-sale investments and other unallocated corporate assets (including primarily unallocated property, plant and equipment and deposits, prepayments and other receivables); and

– all liabilities are allocated to operating segments other than other unallocated corporate liabilities.

Other segment information

For the year ended 31 December 2016

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss:				
Addition to non-current assets (Note)	256,061	352,454	–	608,515
Depreciation of property, plant and equipment	14,905	187,036	24	201,965
Amortisation of other intangible assets	20,236	43,430	–	63,666
Impairment loss on goodwill	11,572	–	–	11,572
Impairment loss recognised in respect of trade receivables	–	1,771	–	1,771
Impairment loss recognised on deposits, prepayments and other receivables	5,200	–	–	5,200
Reversal of impairment loss recognised in respect of amount due from an investee	(1,869)	–	–	(1,869)
Loss on disposal of property, plant and equipment	97	526	–	623
Interest income	(12,287)	(3,929)	–	(16,216)
Finance costs	45,469	136,794	–	182,263
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:				
Loss on disposal of available-for-sale investments	–	–	100	100
Gain on disposal of a subsidiary	(5,012)	–	–	(5,012)
Interest income	–	–	(153)	(153)

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015

	Waste treatment and waste-to-energy business in the PRC *RMB'000*	Waste treatment and waste-to-energy business in the New Zealand *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Amounts included in the measure of segment profit or loss:				
Addition to non-current assets (Note)	101,087	283,151	–	384,238
Depreciation of property, plant and equipment	12,298	168,612	419	181,329
Amortisation of other intangible assets	20,029	39,806	223	60,058
Impairment loss recognised in respect of trade receivables	–	680	–	680
Impairment loss recognised in respect of deposits, prepayments and other receivables	14,819	–	–	14,819
Reversal of impairment loss recognised on deposits, prepayments and other receivables	(24,784)	–	–	(24,784)
Reversal of impairment loss recognised in respect of amount due from an investee	(22,192)	–	–	(22,192)
Gain (loss) on disposal of property, plant and equipment	964	(3,488)	–	(2,524)
Interest income	(24,850)	(8,091)	–	(32,941)
Finance cost	50,381	78,333	–	128,714
Amounts regularly provided to the chief operating decision maker but not included in the measurement of segment profit or loss:				
Loss on disposal of available-for-sale investments	–	–	752	752
Interest income	–	–	(65)	(65)
Finance cost	–	–	21,740	21,740

Note: Non-current assets excluded financial instruments, goodwill and deferred tax assets.

7. SEGMENT INFORMATION *(Continued)*

Geographical information

The Group's operations are located in New Zealand and the PRC.

The Group's revenue from external customers by geographical location of the customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
The PRC	**606,712**	679,730	**918,180**	750,285
Hong Kong	**–**	–	**64**	84
New Zealand	**2,101,170**	1,959,702	**5,328,042**	4,674,313
	2,707,882	2,639,432	**6,246,286**	5,424,682

Note: Non-current assets excluded financial instruments.

Information about major customers

The Group's main sources of incomes generated in the PRC are from the local government authorities while those generated in New Zealand are from local councils. The percentages of revenue generated from the PRC local government authorities and New Zealand local councils are 17% (2015: 21%) and 69% (2015: 66%) of the total revenue respectively. The amounts of revenue attributable to the PRC local government authorities and New Zealand local councils are RMB467,778,000 (2015: RMB567,343,000 (restated)) and RMB1,867,218,000 (2015: RMB1,749,165,000 (restated)) respectively.

8. OTHER INCOME, GAINS AND LOSSES

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Bank interest income	**13,837**	31,278
Interest income on amounts due from associates (Note 49(ii))	**2,532**	1,728
Total interest income	**16,369**	33,006
Gain on step acquisition (Note 40(b))	**–**	20,359
Gain on disposal of a subsidiary (Note 41)	**5,012**	–
(Loss) gain on disposal of property, plant and equipment	**(623)**	2,524
Impairment loss recognised in respect of trade receivables (Note 28(a))	**(1,771)**	(680)
Reversal of impairment loss recognised in respect of amount due from an investee (Note a)	**1,869**	22,192
Reversal of impairment loss recognised in respect of other receivables (Note b)	**–**	24,784
Impairment loss recognised in respect of deposits, prepayments and other receivables (Note 28)	**(5,200)**	(14,819)
Impairment loss on goodwill (Note 18)	**(11,572)**	–
Loss on disposal of available-for-sale investments	**(100)**	(752)
Others	**5,760**	(706)
	9,744	85,908

Notes:

a. In prior years, the directors of the Company made a full impairment loss on the amount due from 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Company Limited) ("SH Biomax GEP"), an available-for-sale investment of the Group. Given that SH Biomax GEP was under liquidation, the recovery of such an advance was considered to be remote.

   During the year ended 31 December 2015, 上海市普陀區人民法院 (Shanghai Putuo District People's Court) issued a ruling to liquidate SH Biomax GEP. Under the ruling, the remaining assets of SH Biomax GEP was realised to compensate the eligible creditors and the Group received RMB22,192,000 and RMB1,869,000 respectively, during the years ended 31 December 2015 and 2016, a reversal of impairment loss was therefore recognised in the profit or loss.

b. Included in the reversal of impairment loss recognised in respect of other receivables, amounting to approximately RMB19,967,000 were the amount recovered from a supplier, 常州聯合鍋爐容器有限公司 (Changzhou Lianhe Boiler Company Limited) ("Changzhou Lianhe") which has been fully impaired in prior years. During the year ended 31 December 2015, 江蘇省常州市中級人民法院 (Changzhou City People's Court of Jiangsu Province) has judged that Changzhou Lianhe should repay the amount to the Group and 24% equity interest of Changzhou Lianhe was transferred to the Group for settlement. Therefore, a reversal of impairment loss in respect of other receivables of approximately RMB19,967,000, representing the fair value of the 24% equity interest of Changzhou Lianhe, was recognised in 2015.

9. FINANCE COSTS

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Interests on:		
Bank borrowings	**46,086**	55,678
Convertible bonds	**–**	6,778
Other borrowing from BCG Chinastar	**131,786**	74,599
Bank and other charges	**900**	9,665
Increase in discounted amount of provisions arising from the passage of time (Note 33)	**3,491**	3,734
	182,263	150,454

10. PROFIT BEFORE TAX

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Profit before tax has been arrived at after charging:		
Directors' and chief executive's emoluments (Note 12)	**1,231**	3,575
Staff costs (excluding directors)		
– other staff costs	**232,168**	189,871
– retirement benefit scheme contribution	**20,901**	11,157
	253,069	201,028
Auditors' remuneration	**5,797**	4,801
Depreciation of property, plant and equipment	**201,965**	181,329
Amortisation of other intangible assets (Note)	**63,666**	60,058
Amortisation of prepaid lease payments	**2,239**	1,408

Note: During the year ended 31 December 2016, RMB63,666,000 and RMB nil (2015: RMB59,836,000 and RMB222,000) of amortisation of intangible assets were included in cost of sales and administrative expenses, respectively.

11. INCOME TAX EXPENSE

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Current income tax:		
Hong Kong	**31,811**	22,427
PRC	**112**	258
New Zealand	**48,965**	28,012
	80,888	50,697
(Over) under provision in prior years:		
New Zealand	**(443)**	9,465
Deferred tax (Note 37)	**(25,297)**	(17,959)
	55,148	42,203

New Zealand Profits Tax is calculated at 28% of the estimated assessable profit for both years.

Withholding Hong Kong Profits Tax is calculated at 10% on the interest income received by a subsidiary in New Zealand from a subsidiary in Hong Kong.

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Three (2015: Two) of the Group's subsidiaries operating in PRC are eligible for certain tax holidays and concessions. Two are exempted from PRC income taxes whereas another one is entitled for 50% PRC income taxes reduction for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. INCOME TAX EXPENSE *(Continued)*

The tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

2016	New Zealand *RMB'000*	%	PRC *RMB'000*	%	Total *RMB'000*	%
Profit (loss) before tax	265,426		(76,617)		188,809	
Tax at the statutory tax rate	74,319	28.0	(19,154)	25.0	55,165	29.2
Tax effect of expenses not deductible for tax purpose	51,164	19.3	14,481	(18.9)	65,645	34.8
Tax effect of income not taxable for tax purpose	(90,603)	(34.1)	(21,140)	27.6	(111,743)	(59.2)
Tax effect of tax losses not recognised	–	–	31,913	(41.7)	31,913	16.9
Tax effect of share of results of an associate	–	–	3,254	(4.2)	3,254	1.7
Tax effect of share of results of joint ventures	(18,141)	(6.8)	–	–	(18,141)	(9.6)
Tax effect of other deducible temporary differences not recognised	–	–	1,300	(1.7)	1,300	0.7
Utilisation of tax loss not recognised in prior years	–	–	(3,613)	4.7	(3,613)	(1.9)
Effect of withholding Hong Kong Profits Tax on interest income	31,811	12.0	–	–	31,811	16.8
Overprovision in prior years	(443)	(0.2)	–	–	(443)	(0.2)
	48,107	18.1	7,041	(9.2)	55,148	29.2

11. INCOME TAX EXPENSE *(Continued)*

2015 (Restated)	New Zealand *RMB'000*	%	PRC *RMB'000*	%	Total *RMB'000*	%
Profit before tax	314,701		25,496		340,197	
Tax at the statutory tax rate	88,116	28.0	6,374	25.0	94,490	27.8
Tax effect of expenses not deductible for tax purpose	21,006	6.7	12,805	50.2	33,811	9.9
Tax effect of income not taxable for tax purpose	(94,333)	(30.0)	(29,393)	(115.3)	(123,726)	(36.4)
Tax effect of tax losses not recognised	–	–	29,259	114.8	29,259	8.6
Tax effect of share of results of an associate	–	–	(1,775)	(7.0)	(1,775)	(0.5)
Tax effect of share of results of joint ventures	(4,043)	(1.3)	–	–	(4,043)	(1.2)
Tax effect of other deducible temporary differences not recognised	–	–	4,258	16.7	4,258	1.3
Utilisation of tax loss not recognised in prior years	–	–	(21,963)	(86.1)	(21,963)	(6.5)
Effect of withholding Hong Kong Profits Tax on interest income	22,427	7.1	–	–	22,427	6.6
Underprovision in prior years	9,465	3.0	–	–	9,465	2.8
	42,638	13.5	(435)	(1.7)	42,203	12.4

Details of deferred taxation are disclosed in Note 37.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Executive Directors							Independent Non-Executive Directors			
	Wang Hao RMB'000 (note a)	Liu Yongzheng RMB'000	Wu Lishun RMB'000 (note b)	Zhang Meng RMB'000 (note b)	Yang Bin RMB'000 (note b)	Cao Guoxian RMB'000	Shen Jianping RMB'000 (note a)	Pao Ping Wing RMB'000	Cheng Kai Tai, Allen RMB'000	Chan Yee Wah RMB'000	Total 2016 RMB'000
2016											
Fee	–	–	–	–	–	–	–	257	257	257	771
Other emoluments											
Salaries and other benefits	–	–	–	–	217	243	–	–	–	–	460
Contribution to retirement benefit schemes	–	–	–	–	–	–	–	–	–	–	–
Total emoluments	–	–	–	–	217	243	–	257	257	257	1,231

	Executive Directors						Independent Non-Executive Directors			
	Wang Hao RMB'000 (note c)	Liu Yongzheng RMB'000 (note c)	Yu Changjian RMB'000 (note d)	Liu Xiaoguang RMB'000 (note d)	Cao Guoxian RMB'000	Shen Jianping RMB'000	Pao Ping Wing RMB'000	Cheng Kai Tai, Allen RMB'000	Chan Yee Wah RMB'000	Total 2015 RMB'000
2015 (restated)										
Fee	–	–	–	–	–	–	243	243	243	729
Other emoluments										
Salaries and other benefits	10	1	1,304	217	1,095	219	–	–	–	2,846
Contribution to retirement benefit schemes	–	–	–	–	–	–	–	–	–	–
Total emoluments	10	1	1,304	217	1,095	219	243	243	243	3,575

Notes:

(a) Resigned on 20 December 2016.
(b) Appointed on 20 December 2016.
(c) Appointed on 29 September 2015.
(d) Resigned on 29 September 2015.

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

Mr. Cao Guoxian is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments shown above are for services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors' emoluments shown above are for their services as directors of the Company.

During the year ended 31 December 2016, 6 directors (2015: 4 directors) waived emolument of RMB129,000, RMB154,000, RMB154,000, RMB26,000, RMB26,000 and RMB26,000 (2015: RMB475,000, RMB486,000, RMB97,000 and RMB79,000) respectively.

13. EMPLOYEES' EMOLUMENTS

In both years, none of the five highest paid individuals were directors or chief executive of the Company, whose emoluments are included above. The emoluments of the five (2015: five) highest paid individuals were as follows:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Salaries and other benefits	**8,541**	7,921
Performance related bonuses	**4,091**	2,090
Retirement benefits scheme contributions	**379**	405
	13,011	10,416

The number of the highest paid employees who are neither the directors nor the chief executive of the Company whose remuneration fell within the following bands is as follows:

	2016 **Number of employees**	2015 Number of employees
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**3**	2
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	–
HK$5,000,001 to HK$5,500,000	**–**	1

No employees waived or agreed to waive any emoluments for the years ended 31 December 2016 and 2015. No emoluments have been paid to the employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. DIVIDENDS

Except for dividend declared by BCG NZ to Beijing Capital (HK) and BCG Chinastar as disclosed below, no dividend was paid or proposed by the Company during 2016, nor has any dividend been proposed by the Company since the end of the reporting period (2015: nil).

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Dividend declared by BCG NZ		
2015 Final (2015: nil)	266,509	–
2016 Interim (2015: 2015 Interim)	149,129	41,795
	415,638	41,795

15. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	43,848	157,825

Number of shares	2016 *'000*	2015 *'000* (Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	14,294,733	12,256,410

Note:

The weighted average number of shares used for the purpose of calculating basic and diluted earnings per share for the year ended 31 December 2015 has been adjusted as if the 4,541,574,877 new shares issued for the purpose of satisfying part of the consideration for the Acquisition was issued at 28 March 2014, on the basis that the consolidated financial statements are prepared as if BCG NZ and its subsidiaries had been combined from the date when first came under the control of the common controlling party of the Company and BCG NZ and its subsidiaries (Note 2).

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of the Company's outstanding share options and warrants as the respective exercise price of those share options and warrants is higher than the average market price for shares in 2015. The basic and diluted earnings per share for the year ended 31 December 2016 are the same as there were no potential ordinary shares in issue for 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RMB'000	Landfill Development RMB'000	Building RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixture and equipment RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
COST									
As at 1 January 2015	153,269	287,269	167,107	447,995	218,371	15,928	39,209	122,641	1,451,789
Transfer from construction in progress	–	35,591	3,553	86,299	79,639	1,798	2,560	(209,440)	–
Additions	–	–	7,440	3,222	4,478	2,919	2,593	217,983	238,635
Acquisition of businesses (Note 40(b))	–	11,074	–	8,591	2,625	259	1,271	–	23,820
Disposals	(7,485)	(1,294)	(9,414)	(5,902)	(4,564)	(2,447)	(766)	–	(31,872)
Reclassified to asset held for sales (Note 31)	–	–	–	–	(731)	(931)	–	–	(1,662)
Exchange realignment	(12,611)	(23,146)	(7,970)	(34,469)	(16,440)	(314)	(3,003)	(9,742)	(107,695)
As at 31 December 2015	133,173	309,494	160,716	505,736	283,378	17,212	41,864	121,442	1,573,015
Transfer from construction in progress	6,614	480	15,420	112,082	67,752	5,502	1,461	(209,311)	–
Addition	–	18,309	2,812	1,318	6,706	2,473	578	402,626	434,822
Acquisition of businesses (Note 40(a))	4,556	7,504	4,639	7,175	5,927	22	34	–	29,857
Disposals	–	–	–	(5,054)	(2,232)	(20)	(1,400)	–	(8,706)
Exchange realignment	13,439	31,439	8,791	53,703	30,572	749	3,731	16,660	159,084
As at 31 December 2016	157,782	367,226	192,378	674,960	392,103	25,938	46,268	331,417	2,188,072
ACCUMULATED DEPRECIATION									
As at 1 January 2015	–	20,247	8,929	43,239	28,397	6,080	3,540	–	110,432
Provision for the year	–	33,661	11,464	81,404	46,207	4,272	4,321	–	181,329
Disposals	–	–	(4,625)	(4,803)	(2,496)	(1,844)	(770)	–	(14,538)
Reclassified to asset held for sales (Note 31)	–	–	–	–	(731)	(696)	–	–	(1,427)
Exchange realignment	–	(1,315)	(324)	(2,683)	(1,623)	(37)	(78)	–	(6,060)
As at 31 December 2015	–	52,593	15,444	117,157	69,754	7,775	7,013	–	269,736
Provided for the year	–	35,993	12,842	92,231	53,059	3,878	3,962	–	201,965
Disposals	–	–	–	(3,169)	(1,221)	(11)	(304)	–	(4,705)
Exchange realignment	–	7,255	1,065	16,050	9,296	169	636	–	34,471
As at 31 December 2016	–	95,841	29,351	222,269	130,888	11,811	11,307	–	501,467
NET BOOK VALUE									
As at 31 December 2016	157,782	271,385	163,027	452,691	261,215	14,127	34,961	331,417	1,686,605
As at 31 December 2015	133,173	256,901	145,272	388,579	213,624	9,437	34,851	121,442	1,303,279

17. OTHER INTANGIBLE ASSETS

	Customer contracts RMB'000 (Note a)	Service concession arrangements RMB'000 (Note b)	Licenses and franchises RMB'000 (Note c)	Technology know-how RMB'000	Trade name RMB'000 (Note d)	Software RMB'000	Total RMB'000
COST							
At 1 January 2015 (restated)	129,301	262,418	643,290	5,478	751,652	–	1,792,139
Additions	–	82,607	56	–	–	–	82,663
Acquisition of a businesses (Note 40(b))	30,216	–	–	–	5,213	–	35,429
Exchange realignment	(10,575)	72	(47,541)	261	(61,474)	–	(119,257)
At 31 December 2015 (restated)	148,942	345,097	595,805	5,739	695,391	–	1,790,974
Additions	–	73,829	–	33,346	–	14,792	121,967
Exchange realignment	14,611	628	57,136	–	68,218	861	141,454
At 31 December 2016	163,553	419,554	652,941	39,085	763,609	15,653	2,054,395
AMORTISATION AND IMPAIRMENT							
At 1 January 2015 (restated)	4,014	4,301	24,995	5,259	–	–	38,569
Provided for the year	9,790	10,201	39,845	222	–	–	60,058
Exchange realignment	(228)	17	(162)	258	–	–	(115)
At 31 December 2015 (restated)	13,576	14,519	64,678	5,739	–	–	98,512
Provided for the year	11,133	10,206	33,496	7,091	–	1,740	63,666
Exchange realignment	1,980	185	7,540	–	–	102	9,807
At 31 December 2016	26,689	24,910	105,714	12,830	–	1,842	171,985
CARRYING VALUES							
At 31 December 2016	136,864	394,644	547,227	26,255	763,609	13,811	1,882,410
At 31 December 2015 (restated)	135,366	330,578	531,127	–	695,391	–	1,692,462

Notes:

(a) Customer contracts represents the customer relationships and contracts upon BCG NZ firstly acquired Waste Management NZ Limited ("Waste Management NZ") in 2014 and Waste Management NZ acquired Living Earth Limited ("Living Earth") in 2015.

17. OTHER INTANGIBLE ASSETS *(Continued)*

Notes: (Continued)

(b) Intangible assets arising from service concession arrangements mainly represent:

(i) 惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited) ("Huizhou Guanghui")

The conditional rights to receive (i) government subsidy of waste treatment for the existing plant from 1 July 2014 to the closure of the existing plant; (ii) government subsidy of waste treatment for a term of 30.5 years after commencement of construction of the new plant (including 2.5 years of construction phase and 28 years of operation phase), beyond the minimum guarantee capacity as specified in the service concession arrangement and (iii) tariff from the electricity bureau on electricity production for both the existing and new plants.

Huizhou Guanghui is required to surrender all relevant assets under the service concession arrangement to the grantor at the end of the respective service concession period.

(ii) 揚州首創環保能源有限公司 (Yangzhou Capital Environmental Energy Investment Limited) ("Yangzhou Capital")

The conditional right to receive government subsidy of kitchen waste treatment for a term of 28 years after commencement of construction of the new plant (including 1 year of construction phase and 27 years of operation phase).

Yangzhou Capital is required to surrender all relevant assets under the service concession arrangement to the grantor at the end of the respective service concession period.

Revenue and costs relating to the operation phase of the arrangement are accounted for in accordance with HKAS 18 Revenue which revenue is measured at the fair value of the consideration received or receivable.

(c) Licenses and franchises represent the resource consents granted by the New Zealand government of accessing the Redvalue landfill, Whitford landfill and Fairfield landfill, as well as using the two transfer stations located in Papakura and North Shore, New Zealand.

(d) Trade name represents the brand name under "Waste Management New Zealand" with indefinite useful life.

Except for trade name, the other intangible assets have finite useful lives and are amortised on a straight-line basis over the following periods:

Customer contracts	6 to 19 years
Service concession arrangements	2 to 31 years
Licenses and franchises	2 to 27 years
Technology know-how	5 to 10 years
Software	4 to 5 years

18. GOODWILL

	RMB'000
COST	
At 1 January 2015 (restated)	2,699,287
Arising on acquisition of businesses (Note 40(b))	64,808
Exchange realignment	(151,441)
At 31 December 2015 (restated)	2,612,654
Arising on acquisition of businesses (Note 40(a))	54,022
Exchange realignment	166,757
At 31 December 2016	2,833,433
IMPAIRMENT	
At 1 January and 31 December 2015	894,992
Impairment loss recognised in profit or loss (Note 19)	11,572
At 31 December 2016	906,564
CARRYING VALUES	
At 31 December 2016	1,926,869
At 31 December 2015 (restated)	1,717,662

Particulars of the impairment testing of goodwill are disclosed in Note 19.

19. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and trade name with indefinite useful lives set out in Notes 17 and 18, respectively, have been allocated to groups of individual CGUs, represented by subsidiaries operating the waste treatment and waste to energy business in the PRC and New Zealand. The carrying amounts of goodwill and trade names (net of accumulated impairment losses) as at 31 December 2016 and 2015 allocated to these units are as follows:

	Goodwill		Trade name	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
BCG NZ	**1,920,814**	1,700,035	**763,609**	695,391
江蘇蘇北廢舊汽車家電拆解再生利用有限公司 Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited ("Jiangsu Subei")	**–**	11,572	**–**	–
浙江卓尚環保能源有限公司 Zhejiang Zhuoshang Environmental Energy Company Limited ("Zhejiang Zhuoshang")	**6,055**	6,055	**–**	–
	1,926,869	1,717,662	**763,609**	695,391

During the year ended 31 December 2016, the Group recognised an impairment loss of RMB11,572,000 in relation to goodwill arising on acquisition of Jiangsu Subei. Jiangsu Subei is engaged in the dismantling business in the PRC by rendering electronic appliance dismantling services and sales of dismantled products. With regard to the declining of the overall profitability of the business, impairment for the goodwill arising from the acquisition of Jiangsu Subei is recognised for the year ended 31 December 2016.

The basis of the recoverable amounts of the above CGUs has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by management and their major underlying assumptions are summarised below:

	BCG NZ		Jiangsu Subei		Zhejiang Zhuoshang	
	2016	2015	**2016**	2015	**2016**	2015
Number of years covered by cash flows forecast	**5 years**	5 years	**5 years**	5 years	**5 years**	5 years
Discount rates (per annum)	**7.64%**	7.80%	**12.60%**	12.60%	**12.50%**	12.50%
Growth rate for perpetual period	**2.50%**	2.50%	**0%**	1.83%	**N/A**	N/A

Other key assumptions for the value in use calculations are the budgeted growth rate and budgeted gross margin, which are determined based on past performance, management's expectations for the market development and market growth forecasts. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of BCG NZ and Zhejiang Zhuoshang.

20. PREPAID LEASE PAYMENTS

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Analysed for reporting purposes as:		
Current assets	1,882	1,673
Non-current assets	74,563	73,440
	76,445	75,113
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	76,445	75,113

The amounts represent land use rights located in the PRC and are released to profit or loss over the term of the relevant rights of 50 years.

The Group has pledged prepaid lease payment with a net book value of approximately RMB45,085,000 (2015: approximately RMB57,062,000) to secure the borrowings granted to the Group.

21. CONCESSION FINANCIAL ASSETS

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Analysed for reporting purpose as:		
Current assets	63,507	44,198
Non-current assets	1,225,052	968,031
	1,288,559	1,012,229

Concession financial assets represent costs incurred by the Group for the construction and operation services rendered under service concession arrangements of waste treatment (including waste incineration and landfill) and waste-to-energy plant in the PRC on a Build-Operate-Transfer ("BOT") basis, plus the attributable profits on the services provided. Revenues and costs relating to the construction phase of the contract are accounted for in accordance with HKAS 11. Revenues and costs relating to the operating phase of the contract are accounted for in accordance with HKAS 18.

Service concession arrangements with certain government authorities in the PRC ("Grantors") require the Group to operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rate is ranged from 3.63% to 13.58% at 31 December 2016 (2015: 3.63% to 13.58%).

21. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2016, the major terms of the Group's significant service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at 31 December 2016 RMB'000	Balance as at 31 December 2015 RMB'000 (Restated)
南昌首創環保能源有限公司 (Nanchang Capital Environment Energy Co., Ltd.) ("NC Capital") (Formerly known as 南昌百瑪士綠色能源有限公司 Nanchang Biomax Green Energy Co., Ltd.)	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration Bureau)	October 2016 to September 2041 (25 years) (Note 1)	1,200 tonnes	131 million kWh	Operating (Note 1)	609,836	615,199
都匀市科林環保有限公司 (Duyun Kelin Environmental Company Limited) ("Duyun Kelin")	都匀市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site) ("Duyun Site")	Duyun, Guizhou	都匀市人民政府 (Duyun People's Government)	June 2012 to June 2042 (30 years)	300 tonnes	N/A	Operating	131,084	123,773
甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited) ("Weng'an Kelin")	甕安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site) ("Weng'an Site")	Weng'an, Guizhou	甕安縣人民政府 (Weng'an People's Government)	July 2015 to June 2045 (30 years)	150 tonnes	N/A	Operating	55,134	52,536
惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited) ("Huizhou Guanghui")	惠州市生活垃圾焚燒發電廠 (Huizhou Municipal Solid Waste Incineration Power Generation Plant)	Gonglian Village, Huizhou	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority)	(Note 2)	1,600 tonnes	161 million kWh	Operating	171,733	157,282
葫蘆島康達錦程環境治理有限公司 (Huludao Kangte Jincheng Environment Management Company Limited) ("Huludao Kangte")	葫蘆島市生活垃圾填埋場 (Huludao Municipal Solid Waste Landfill Site)	Huludao, Liaoning	葫蘆島市住房和城鄉建設委員會 (Huludao Housing and Urban-Rural Construction Commission)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Operating	53,796	48,713

21. CONCESSION FINANCIAL ASSETS *(Continued)*

As at 31 December 2016, the major terms of the Group's significant service concession arrangements are set out as follows: (Continued)

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Maximum daily capacity	Electricity generation	Status	Balance as at 31 December 2016 RMB'000	Balance as at 31 December 2015 RMB'000 (Restated)
都勻市首創環保有限公司 (Duyun Capital Environment Company Limted) ("Duyun Capital")	都勻市生活垃圾焚燒發電廠 (Duyun Solid Waste Incineration Power Generation Plant)	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government)	30 years after obtaining the approval for construction	900 tonnes	64 million kWh	Under Construction	74,376	N/A
南陽首創環境科技有限公司 (Nanyang Capital Environment Technology Company Limited) ("Nanyang Capital")	淅川、西峽、內鄉三縣鄉鎮垃圾收集、轉運、處理項目 (Xichuan, Xixia, Neixiang Garbage Collection, Transport and Processing Project)	Nanyang, Henan	南陽市住房和城鄉建設委員會 (Nanyang Housing and Urban-Rural Construction Commission)	January 2016 to January 2046 (30 years)	723 tonnes	N/A	Under Construction	123,382	N/A
高安意高再生資源熱力發電有限公司 (Gaoan Eacoon Renewable Resources for Thermal Power Generation Co., Limited) ("Gaoan Eacoon")	高安市垃圾焚燒發電廠 (Gaoan Solid Waste Incineration Power Generation Plant)	Gaoan, Jiangxi	高安市人民政府 (Gaoan People's Government)	30 years after obtaining the approval for construction	900 tonnes	64 million kWh	Under Construction	42,139	N/A

Notes:

1. The waste treatment and waste-to-energy plant started trial run on 15 January 2015 and started commercial operation on 1 October 2016.

2. Under the cooperation agreement signed on 3 August 2001, the existing plant has a service concession period of 27 years. A new cooperation agreement in respect of the construction and operation of a new waste treatment plant has been signed on 20 August 2013, superseding the agreement signed on previously. Pursuant to the new cooperation agreement, the existing waste treatment plant will continue to operate not more than three years from the signing of the new cooperation agreement, by then it will be demolished and replaced by the new treatment plant for a term of 30.5 years. As at 31 December 2016, owing to the delay in site selection to construct the new treatment plant, the existing waste treatment plant will continue to operate until the new treatment plant is ready to use.

21. CONCESSION FINANCIAL ASSETS *(Continued)*

During the operation phase of the respective service concession periods, the Group will receive guaranteed receipts of waste treatment fee from the grantors calculated by multiplying the minimum level of municipal waste to be processed per day at a pre-determined waste treatment fee per tonne as specified in the service concession agreements. In addition, for some service concession arrangements, the Group has the right to charge on-grid electricity tariff from users after commencement of operation phase of the waste-to-energy plants.

The Group recognised revenue from construction services of RMB196,484,000 (2015: RMB203,526,000 (restated)) by reference to the stage of completion of the construction work and revenue from operation services of RMB26,311,000 (2015: RMB44,221,000 (restated)).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Listed securities, at fair value		
– Equity securities listed in HK	**63,898**	86,487
Unlisted equity investments, at cost		
–北京市一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Company Limited) ("Beijing Yiqing") (Note)	**16,233**	–
CARRYING VALUES	**80,131**	86,487

Note: Upon the disposal as mentioned in Note 41, the Group retained 20% of the equity interest in Beijing Yiqing. However, the Group does not have power to participate in the financial and operating policy of Beijing Yiqing, the investment is classified as available-for-sale investment accordingly. The investment is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

23. INTERESTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000 (Restated)
Cost of investment in associates		
– Unlisted	95,536	85,311
Share of post-acquisition profits (loss), net of dividends received	(10,259)	10,533
	85,277	95,844

Particulars of the Group's principal associates as at 31 December 2016 and 2015 are as follows:

Name	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital	Proportion of ownership interests and voting rights held by the Group %	Principal activities
深圳粵能環保再生能源有限公司 Shenzhen Yueneng Environmental Recycling Energy Limited ("SZ Yueneng")	Incorporated	PRC/PRC	RMB75,000,000	46% (2015: 46%)	Waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis
常州聯合鍋爐容器有限公司 Changzhou Lianhe Boiler Company Limited ("Changzhou Lianhe")	Incorporated	PRC/PRC	RMB9,232,686	24% (2015: 24%)	Trading and manufacturing of boiler products
北京藍潔利德環境科技有限公司 Beijing Lanjie Lide Environment Holding Limited (''Beijing Lanjie'')	Incorporated	PRC/PRC	RMB1,760,000	29% (2015: N/A)	Provision of waste transportation service

The Group's associates are accounted for using the equity method in these consolidated financial statements.

23. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information of a material associate

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

SZ Yueneng

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Current assets	**43,835**	30,392
Non-current assets	**263,574**	277,645
Current liabilities	**(115,758)**	(87,928)
Non-current liabilities	**(9,928)**	(55,160)
Revenue	**52,174**	55,666
Profit and total comprehensive income for the year	**15,229**	15,433
Dividend received during the year	**7,775**	17,670

Reconciliation of the above summarised financial information to the carrying amount of the interest in SZ Yueneng recognised in the consolidated financial statements:

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Net assets of SZ Yueneng	**181,723**	164,949
Proportion of the Group's ownership interest in SZ Yueneng	**46%**	46%
Carrying amount of the Group's interest in SZ Yueneng	**83,593**	75,877

23. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate financial information of associates that are not individually material

	2016 *RMB'000*	2015 *RMB'000* (Restated)
The Group's share of loss and total comprehensive expense for the year	(20,023)	–
Aggregate carrying amount of the Group's interests in these associates	1,684	19,967

24. INVESTMENTS IN JOINT VENTURES

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Cost of investment in joint ventures	421,703	421,703
Share of post-acquisition profits, net of dividends received	45,689	34,727
Share of other comprehensive income (loss)	5,566	(36,291)
	472,958	420,139

The Group's joint ventures are accounted for using the equity method and their details are as follows:

Name of joint venture	Place and date of incorporation	Registered capital	Effective equity interest attributable to the Group At 31 December		Principal activities
			2016	2015	
Midwest Disposals Limited ("Midwest Disposals")	New Zealand 18 August 2000	NZD1,300,000	50%	50%	Waste management
Pikes Point Transfer Station Limited ("Pikes Point Transfer Station")	New Zealand 24 March 1993	NZD2,685,000	50%	50%	Waste transfer station
Transwaste Canterbury Limited ("Trans Waste")	New Zealand 31 March 1999	NZD16,000,000	50%	50%	Waste collection and landfill
Daniels Sharp Smart Limited	New Zealand 04 November 2002	NZD200	50%	50%	Component cleaning

24. INVESTMENTS IN JOINT VENTURES *(Continued)*

Summarised financial information of a material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture financial statements prepared in accordance with HKFRSs.

Trans Waste

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Current assets	195,856	214,836
Non-current assets	294,145	262,903
Current liabilities	(238,203)	(243,080)
Non-current liabilities	(26,398)	(32,746)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	163,027	187,161
Revenue	566,540	548,144
Profit for the year	110,666	86,438
Other comprehensive income for the year	67,820	(59,142)
Total comprehensive income for the year	178,486	27,296
Dividends received from Trans Waste during the year	53,723	31,896
Depreciation and amortisation	(31,584)	(30,508)
Interest income	5,691	6,205
Interest expense	(2,618)	(2,769)
Income tax expense	(42,527)	(36,076)

24. INVESTMENTS IN JOINT VENTURES *(Continued)*

Summarised financial information of a material joint venture *(Continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in Trans Waste recognised in the consolidated financial statements:

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Net assets of Trans Waste	225,400	201,913
Proportion of the Group's ownership interest in Trans Waste	50%	50%
Group's share of net assets of Trans Waste	112,700	100,957
Goodwill	267,543	243,766
Carrying amount of the Group's interest in Trans Waste	380,243	344,723

Aggregate financial information of joint ventures that are not individually material

	2016 *RMB'000*	2015 *RMB'000* (Restated)
The Group's share of profit	9,352	8,109
The Group's share of other comprehensive income (expense)	7,947	(6,016)
The Group's share of total comprehensive income	17,299	2,093
Aggregate carrying amount of the Group's interests in these joint ventures	92,715	75,416

25. INVESTMENT IN A JOINT OPERATION

Particulars of the Group's joint operation are as follows:

Name	Place of incorporation	Ownership interest attributable to the Group At 31 December		Principal activity
		2016	2015	
Waste Disposal Services	New Zealand	**50%**	50%	Waste collection and landfill

The Group has a 50% interest in Waste Disposal Services, an unincorporated joint operation with the Auckland City Council. According to the joint operation agreement, the Group accounts for its joint operation by including its share of revenues, expenses, assets and liabilities of Waste Disposal Services in its own financial statements. Waste Disposal Services operates a landfill and refuse station in South Auckland.

The Group's share of material assets and liabilities of Waste Disposal Services is as follows:

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**19,329**	20,789
Non-current assets	**91,899**	235,964
Total assets	**111,228**	256,753
Current liabilities	**(2,941)**	(4,349)
Non-current liabilities	**(37,391)**	(15,832)
Total liabilities	**(40,332)**	(20,181)
Net assets shared as shareholders	**70,896**	236,572

	2016 *RMB'000*	2015 *RMB'000*
Share of the joint operation's revenue	**33,680**	33,859
Share of the joint operation's expenses	**(24,198)**	(19,714)
Share of the joint operation's profit before tax	**9,482**	14,145

26. DEPOSITS PAID FOR CONSTRUCTION OF INFRASTRUCTURE IN SERVICE CONCESSION ARRANGEMENTS

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is an advance payment to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute) ("Urban Construction Institute"), with aggregate carrying amount of RMB40,050,000 (2015: RMB40,050,000), net of impairment loss of RMB89,600,000 (2015: RMB89,600,000). The Group has submitted the first dispute with Urban Construction Institute to the 南昌仲裁委員會 (Nanchang Arbitration Committee) during the year ended 31 December 2012 and various appeals have been made between the Group and Urban Construction Institute to the Nanchang Arbitration Committee and different law courts in the PRC.

On 7 March 2016, a court order was issued from the 江西省高級人民法院 (High Court of Jiangxi Province) (the "High Court") to the Group to attend a hearing and requested the Group and Urban Construction Institute to provide supporting documents for the appeal.

As at 31 December 2016, the final resolution from the High Court is not yet released and the amount of deposits refundable from Urban Construction Institute is yet to be finalised.

The Group has not made further impairment on such deposits during the year ended 31 December 2016, after taking into account the legal opinion provided by an independent lawyer.

27. INVENTORIES

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Raw materials	**9,155**	3,746
Finished goods	**20,277**	32,216
	29,432	35,962

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Trade receivables (Note a)	652,630	532,125
Less: Allowance for doubtful debts	(8,229)	(8,123)
	644,401	524,002
Deposits, prepayments and other receivables		
Advances to suppliers (Note b)	47,396	32,675
Deposits for acquisitions (Note c)	22,048	22,200
Value added tax receivable	31,481	15,447
Loan receivable (Note d)	29,862	31,348
Loan to a non-controlling shareholder of a subsidiary (Note e)	–	10,500
Prepayments for emission units (Note f)	11,644	4,736
Others	17,196	19,708
	159,627	136,614
Analysed for reporting purpose as:		
Current assets	105,890	77,204
Non-current assets	53,737	59,410
	159,627	136,614

(a) Trade receivables

The Group's trade receivables mainly arisen from waste collection, waste landfill, technical waste services, electronic appliances dismantling services and sales of dismantled products. The Group's trading terms with its customers are mainly on credit and each customer has a maximum credit limit. The various group companies have different credit policies, depending on the requirements of their markets in which they operate and the business they engage in. The credit period granted to customers is generally less than 50 days, expect for customers of the electronic appliance dismantling services which is the Central Government. The Group submits the quantities and products dismantled to the government online system on a weekly basis. The Central Government would appoint independent auditors to perform fieldwork audit quarterly or semi-annually, depending on the province practice, to verify the submitted details in the online system posted by the dismantling entities. Audit report would be issued by the independent auditors and submitted to the Central Government for the quantities confirmation results. Subject to the internal procedures for processing the auditor reports, the Central Government would publish online confirmation notice on its website the quantities of dismantling appliance and the dismantling subsidy would be paid to the entities after 1 to 1.5 years of the online publication. The whole confirmation process from performing the electronic appliance dismantling services until the cash receipt from Central Government are ranged from 1 to 3 years. Under this circumstances, there is no credit terms granted for the dismantling subsidy receivable from the Central Government and the amount of dismantling subsidy receivables are excluded from the below aging analysis.

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Trade receivables (net of provision)	**644,401**	524,002
Less: Dismantling subsidy receivables (Note)	**(333,064)**	(247,447)
	311,337	276,555

Note: Balance represents the subsidy receivables from the provision of electronic appliances dismantling services. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are the Central Government.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) excluding dismantling subsidy receivable presented based on the revenue recognised as at the end of the reporting period.

	2016 *RMB'000*	2015 *RMB'000* (Restated)
0-90 days	**295,475**	260,514
91-180 days	**6,101**	13,208
181-360 days	**4,553**	346
Over 360 days	**5,208**	2,487
	311,337	276,555

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

Aging of trade receivables excluding dismantling subsidy receivable which are past due but not impaired

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Overdue by:		
51 – 180 days	23,722	24,446
181-360 days	–	346
Over 360 days	5,208	2,487
	28,930	27,279

Movement in the allowance for doubtful debts

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Balance at the beginning of the year	8,123	8,123
Impairment losses recognised	1,771	680
Amount written off as uncollectible	(1,893)	(225)
Exchange realignment	228	(455)
Balance at the end of the year	8,229	8,123

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB8,229,000 (2015: RMB8,123,000 (restated)) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

28. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

(b) Advances to suppliers

During the year ended 31 December 2016, an impairment loss of RMB5,200,000 (2015: RMB14,819,000) was recognised in profit or loss in relation to advances that have been overdue for more than one year and the recovery of such advances is not expected by the directors of the Company taking into account of the financial situation of the supplier.

(c) Deposits for acquisitions

During the year ended 31 December 2016, deposits of RMB16,000,000 (2015: RMB17,000,000) were paid for two (2015: two) potential acquisition of equity interests in two (2015: two) companies with BOT projects. The acquisitions are expected to be completed within one year and the amounts are classified as non-current assets. In addition, RMB6,048,000 (2015: RMB5,200,000) was paid for a BOT project tendering and expected to be refunded within one year.

(d) Loan receivable

On 1 December 2015, a wholly owned subsidiary of the Company acquired 70% equity interest in Zhejiang Zhuoshang, from independent third parties (Note 40(b)) and RMB29,862,000 (2015: RMB31,348,000) was receivable from a related party of a former shareholder of Zhejiang Zhuoshang. The amount was expected to be repaid in five years and the loan carries interest rate at PRC Benchmark Loan Rate per annum. According to the payment schedule, RMB6,660,000 is expected to be repaid in 2017 (2015: RMB4,000,000 is expected to be repaid in 2016) and therefore classified as current assets. The loan is secured by the 30% equity interest owned by the non-controlling shareholder of Zhejiang Zhuoshang and a corporate guarantee from an independent third party.

(e) Loan to a non-controlling shareholder of a subsidiary

Amount represents a loan to the non-controlling shareholder of Zhejiang Zhuoshang. The amount is unsecured and interest free and has been fully repaid in 2016.

(f) Prepayments for emission units

The prepayments for emission units represent the prepayments paid to satisfy the obligations in relation to the discharge of methane from the landfills under the Emissions Trading Scheme.

29. AMOUNTS DUE FROM ASSOCIATES

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
Balance at the beginning of the year	**35,966**	18,513
Dividend declared in terms of loans (Note 48)	**7,775**	17,670
Advances made to associates	**8,600**	–
Repayment from associates	**(4,600)**	–
Exchange realignment	**–**	(217)
Balance at the end of the year	**47,741**	35,966
Analysed for reporting purposes as:		
Current assets	**39,141**	35,966
Non-current assets	**8,600**	–
	47,741	35,966

The balances are classified in accordance to the relevant repayment dates stated in the loan contracts. The loans are unsecured and carry interest rate at PRC Benchmark Lending Rate Plus 20% per annum except the advances made during the year which carry a fixed rate of 9% per annum.

30. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Pledged bank deposits represent the deposits required by the local governments for securing the progress of the BOT projects. There was no pledged deposits as at 31 December 2015. The balances carried at interest rates which ranged from 0.01% to 0.35% per annum.

As at 31 December 2016, bank balances included time deposits of RMB15,000,000 with maturity period over three months that carried interest at prevailing interest rates which ranged from 1.22% to 1.53% per annum. There were no time deposits as at 31 December 2015. Remaining bank balances carried at market rates which ranged from 0.01% to 0.35% (2015: 0.01% to 0.40%) per annum.

31. ASSETS CLASSIFIED AS HELD FOR SALE

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Assets classified as held for sales:		
Vehicles, trucks and tankers for sales (Note a)	**10,985**	6,365
Beijing Yiqing (Note b)	**–**	258,135
	10,985	264,500
Liabilities associated with assets held for sales:		
Beijing Yiqing (Note b)	**–**	(111,424)
	–	(111,424)

Notes:

a. Assets classified as held for sale included vehicles, trucks, and tankers which are held for purpose of waste management. They are sold to sub-contractors/owner-drivers operating on Waste Management NZ's behalf and expected to be sold within the next twelve months.

b. On 12 November 2015, the Group entered into a sales and purchase agreement regarding the disposal of 40% equity interest of Beijing Yiqing (the "Disposal"), a subsidiary of the Group, which is engaged in a waste treatment project in Beijing Dongcun for a total consideration of approximately RMB37,478,000 to 北京環境衛生工程集團有限公司 (Beijing Environment Sanitation Engineering Group Company Limited) (the "Buyer").

   As at 31 December 2015, the Group and the Buyer obtained approval from the local authorities for the Disposal. On 29 January 2016, the consideration for the 40% equity interest of Beijing Yiqing was paid to the Group.

   The assets and liabilities attributable to Beijing Yiqing, which were expected to be disposed of within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2015 (see below).

31. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Notes: (Continued)

b. (Continued)

The assets and liabilities of Beijing Yiqing classified as held for sale for the year ended 31 December 2015 are as follows:

	RMB'000
Property, plant and equipment	235
Prepaid lease payments	1,742
Concession financial asset	240,957
Deposit paid for construction of infrastructure in service concession arrangements	1,591
Deferred tax assets	1,856
Deposits, prepayments and other receivables	6,483
Bank balances and cash	5,271
Assets classified as held for sale	258,135
Trade payables	(6,041)
Other payables and accruals	(31,699)
Bank borrowings	(73,684)
Liabilities associated with asset classified as held for sale	(111,424)

The Disposal was completed on 29 December 2016 (Note 41) and the Group retains 20% equity interest of Beijing Yiqing and the investment is classified as an available-for-sale investment as at 31 December 2016 (Note 22).

32. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS, DEFERRED INCOME AND AMOUNTS DUE TO SHAREHOLDERS OF A SUBSIDIARY

(a) Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2016 ***RMB'000***	2015 *RMB'000* (Restated)
0 – 90 days	**218,088**	144,869
91 – 180 days	**4,440**	5,355
181 – 360 days	**4,278**	–
Over 360 days	**10,021**	8,349
	236,827	158,573

The average credit period on purchases of goods ranges from 30 to 90 days except for those over 90 days which are based on agreed contract terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

32. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS, DEFERRED INCOME AND AMOUNTS DUE TO SHAREHOLDERS OF A SUBSIDIARY *(Continued)*

(b) Other payables and accruals

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Receipt in advance	**133,242**	111,028
Accrued purchases	**212,465**	155,336
Interest payable	**11,815**	76,620
Amount due to vendors of Zhejiang Zhuoshang	**–**	12,500
Amount due to vendors of Beijing Lanjie	**1,500**	–
Amount due to related parties of vendors of Huizhou Guanghui	**–**	1,262
Accrued professional fee	**4,011**	245
Other tax payable	**4,295**	1,250
Accrued payroll and severance payment	**65,966**	44,391
Others	**19,484**	26,350
	452,778	428,982

(c) Deferred income

The Group received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants, during the years ended 31 December 2015 and 2016 respectively. The waste treatment plants and waste-to-energy plants were either under commercial run or still under construction as at 31 December 2016. These government subsidies were recognised as deferred income and would be amortised over the concession period upon the commencement of commercial operations of the plants.

(d) Amounts due to shareholders of a subsidiary

Amounts represent the dividends declared and payable by BCG NZ to BCG Chinastar and Beijing Capital (HK) for the years ended 31 December 2015 and 2016 before the Acquisition.

33. PROVISIONS

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Analysed for reporting purposes as:		
Current liability	800	800
Non-current liability	141,114	110,668
	141,914	111,468

	Expected loss relating to service concession arrangements *RMB'000*	Provision for maintenance *RMB'000*	Closure and post closure provisions *RMB'000*	Total *RMB'000*
At 1 January 2015 (restated)	6,430	800	110,712	117,942
Reclassified to liabilities associated with assets classified as held for sale (Note 31)	(6,430)	–	–	(6,430)
Acquisition of businesses (Note 40(b))	–	–	10,349	10,349
Amounts utilised during the year	–	–	(3,767)	(3,767)
Reassessment of closure and post-closure provision	–	–	(1,294)	(1,294)
Effect of time value adjustment	–	–	3,734	3,734
Exchange realignment	–	–	(9,066)	(9,066)
At 31 December 2015 (restated)	–	800	110,668	111,468
Additional provision	–	–	18,309	18,309
Amounts utilised during the year	–	–	(3,287)	(3,287)
Effect of time value adjustment	–	–	3,491	3,491
Exchange realignment	–	–	11,933	11,933
At 31 December 2016	–	800	141,114	141,914

Provision is made for the future costs of closing the Group's landfills at the end of their economic or consented lives and for the associated post-closure costs, being the aftercare of the landfills for the prescribed periods. Estimated costs, adjusted for inflation, are built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment of these costs and the anticipated remaining lives of the landfills is performed regularly.

34. BANK AND OTHER BORROWINGS

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Bank loans	881,982	786,190
Loan from BCG Chinastar (Note)	2,833,673	2,533,169
	3,715,655	3,319,359
Secured loans	578,780	786,190
Unsecured loans	3,136,875	2,533,169
	3,715,655	3,319,359

Note: The balance represents a loan of NZ$570,000,000 from BCG Chinastar which was unsecured, interest bearing at 5% per annum and had a maturity date of 1 June 2018. The carrying amount of the loan as at 31 December 2016 was RMB2,833,673,000 (2015: RMB2,533,169,000 (restated)).

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Carrying amount repayable:		
Within one year	458,322	384,410
More than one year, but not exceeding two years	2,868,253	58,120
More than two years, but not exceeding three years	88,420	2,614,749
More than three years, but not exceeding four years	100,230	82,420
More than four years, but not exceeding five years	94,430	93,230
More than five years	106,000	86,430
	3,715,655	3,319,359
Less: Amounts due within one year shown under current liabilities	(458,322)	(384,410)
Amounts shown under non-current liabilities	3,257,333	2,934,949

34. BANK AND OTHER BORROWINGS *(Continued)*

The exposure of the Group's fixed-rate and variable-rate borrowings and the contractual maturity dates are as follows:

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Fixed-rate borrowings:		
Within one year	327,000	308,000
More than one year, but not exceeding two years	2,781,673	–
More than two years, but not exceeding three years	–	2,533,169
More than five years	52,000	–
	3,160,673	2,841,169
Variable-rate borrowings:		
Within one year	131,322	76,410
More than one year, but not exceeding two years	86,580	58,120
More than two years, but not exceeding three years	88,420	81,580
More than three years, but not exceeding four years	100,230	82,420
More than four years, but not exceeding five years	94,430	93,230
More than five years	54,000	86,430
	554,982	478,190
	3,715,655	3,319,359

Details of secured fixed rate borrowings

Borrowings balance as at			Securities balance as at	
2016 *RMB'000*	2015 *RMB'000*	Nature of securities	2016 *RMB'000*	2015 *RMB'000*
–	5,000	Guarantee by an independent third party	N/A	N/A
–	291,000	Corporate guarantee of a subsidiary of Beijing Capital Group	N/A	N/A
50,000	–	Corporate guarantee of the Group	N/A	N/A
–	12,000	Prepaid lease payments	N/A	35,221
47,000	–	Prepaid lease payments and buildings	56,383	N/A
97,000	308,000			

34. BANK AND OTHER BORROWINGS *(Continued)*

Details of secured variable rate borrowings

Borrowings balance as at			Security balance as at	
2016 *RMB'000*	2015 *RMB'000*	**Nature of security**	**2016** *RMB'000*	2015 *RMB'000*
36,780	43,190	Corporate guarantee of a subsidiary of Beijing Capital Group	**N/A**	N/A
265,000	285,000	Corporate guarantee of the Group	**N/A**	N/A
–	29,000	Prepaid lease payments	**N/A**	21,841
100,000	121,000	BOT contract and the Group's equity interest in Huizhou	**N/A**	N/A
80,000	–	BOT contract in Yangzhou	**N/A**	N/A
481,780	478,190			

The range of effective interest rates on the Group's borrowings are as follows:

	2016	2015
Effective interest rate:		
Fixed-rate borrowings	**1.2% – 5.66%**	3.9% – 5.66%
Variable-rate borrowings	**PRC Benchmark Loan Rate and New Zealand London Interbank Offered Rate ("NZLIBOR")**	PRC Benchmark Loan Rate

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2016 *RMB'000*	2015 *RMB'000*
Floating rate		
– expiring within one year	**–**	377,000
– expiring beyond one year	**122,003**	–
Fixed rate		
– expiring within one year	**–**	15,000
– expiring beyond one year	**1,302,000**	1,300,000
	1,424,003	1,692,000

35. CONVERTIBLE BONDS

On 6 December 2011, the Company signed an agreement with Beijing Capital (HK) for the subscription of a convertible bond in the principal amount of HK$100,000,000 ("Convertible Bonds I").

The Convertible Bonds I can be converted into ordinary shares of the Company at HK$0.40 per share, subject to anti-dilutive adjustments and further adjusted to RMB0.29 per share upon the completion of rights issue on 8 July 2013. Beijing Capital (HK) shall have the rights to convert the whole or part of the outstanding principal amount of the Convertible Bonds I during the conversion period. The Convertible Bonds I bear zero interest and would mature on 31 December 2014.

On 4 November 2014, Beijing Capital (HK) converted Convertible Bonds I with the principal amount of HK$22,000,000 at RMB0.29 per share.

On 19 November 2014, the Company entered into a supplementary deed with Beijing Capital (HK) to amend the terms and conditions of the Convertible Bond I.

Upon the amendment, the conversion price of the Convertible Bonds I was adjusted to RMB0.229 by connecting HK$0.29 by the exchange rate of HK$1 to RMB0.78861. For accounting purposes, the conversion option is classified as equity instrument and the changes in fair value are not recognised in profit or loss.

Under the amendment, the Convertible Bonds I are deemed as to be redeemed and the amended Convertible Bonds I ("Convertible Bonds II") are deemed to be issued. Gain on fair value change of embedded derivatives amount to RMB69,149,000 was recognised upon the amendment on the terms and conditions of the Convertible Bonds I. The effective interest rate of the liability components of Convertible Bond II is 22% per annum.

The conversion price for the Convertible Bonds II was adjusted successively to RMB0.212 per share upon completion of the rights issue on 3 July 2015.

During the year ended 31 December 2015, Beijing Capital (HK) converted all the outstanding amount of the Convertible Bonds II into 290,148,962 ordinary shares of the Company.

The movement of the liability component of the Convertible Bonds for the year ended 31 December 2015 are set out as below:

	Convertible Bonds II *RMB'000* (Restated)
Liability component	
At 1 January 2015	50,939
Conversion	(57,717)
Effective interest charged to profit or loss (Note 9)	6,778
At 31 December 2015	–

36. WARRANTS

On 31 March 2014, the Company entered into a placing agreement with an independent placing agent (the "Placing Agent") in relation to the private placing of up to 370,000,000 unlisted warrants (the "Warrants"), with placing price (the "Placing Price") of HK$0.01 per Warrant, conferring rights to subscribe for up to 370,000,000 new ordinary shares of the Company at a subscription price of HK$0.8 per share, which are exercisable immediately after the date of issue of the Warrants up to 22 December 2014.

On 1 April 2014, the Company and the Placing Agent entered into a supplementary agreement to (i) revise the Placing Price from HK$0.01 per Warrant to HK$0.012 per Warrant; (ii) extend the subscription period of the Warrants from a period from the date of issue of the Warrants up to 22 December 2014 to a period of 12 months from 14 April 2014 to 14 April 2015, both days inclusive.

The placing of the Warrants was completed on 14 April 2014 and the Warrants were classified as derivatives. The proceeds from the placing of approximately HK$3,940,000 (net of issuance cost of HK$500,000), were used as general working capital of the Company.

The Warrants were expired on 14 April 2015 and no share was subscribed through the exercise of the Warrants. A gain of approximately RMB63,000 arising from the change in fair value was charged to profit or loss for the year ended 31 December 2015.

37. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and movements thereon during the years ended 31 December 2016 and 2015:

	Inventories	Other intangible assets	Service concession arrangements	Property, plant and equipment	Provisions	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Note)*	*RMB'000*
At 1 January 2015 (restated)	–	(167,101)	(890)	(104,110)	41,161	17,618	(213,322)
Reclassified to asset classified as held for sale (Note 31(b))	–	–	(1,856)	–	–	–	(1,856)
Acquisition of businesses (Note 40) (restated)	–	(8,460)	–	–	–	–	(8,460)
Credit (charge) to profit or loss	8,292	12,362	(10,974)	2,676	280	5,323	17,959
Exchange realignment	277	12,894	939	8,542	(3,363)	(1,376)	17,913
At 31 December 2015 (restated)	8,569	(150,305)	(12,781)	(92,892)	38,078	21,565	(187,766)
(Charge) credit to profit or loss	(6,109)	10,466	(8,714)	8,246	5,228	16,180	25,297
Exchange realignment	(5)	(13,897)	509	(8,631)	4,041	2,507	(15,476)
At 31 December 2016	2,455	(153,736)	(20,986)	(93,277)	47,347	40,252	(177,945)

Note: Others included other payables, accruals and tax losses recognised.

37. DEFERRED TAXATION *(Continued)*

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Deferred tax assets	**11,550**	9,616
Deferred tax liabilities	**(189,495)**	(197,382)
	(177,945)	(187,766)

The Group has unused tax losses of RMB280,531,000 (2015: RMB324,174,000) available for offset against future profits. The tax loss arising from PRC subsidiaries of RMB176,699,000 (2015: RMB212,220,000) can be carried forward for five years and will be expired during 2017 to 2021 (2015: 2016 to 2020). Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of RMB94,650,000 (2015: RMB89,450,000) in respect of impairment loss recognised on trade receivables, deposits, prepayments and other receivables. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2015	6,000,000,000	600,000
Increased on 27 May 2015	9,000,000,000	900,000
At 31 December 2015, 1 January 2016 and 31 December 2016	15,000,000,000	1,500,000
		RMB'000
Issued and fully paid:		
At 1 January 2015 (restated)	4,731,504,664	391,336
Issue of shares under rights issue (Note a)	4,731,504,664	382,801
Issue of shares under redemption of convertible bonds (Note b)	290,148,962	23,203
At 31 December 2015 (restated) and 1 January 2016 (restated)	9,753,158,290	797,340
Issue of shares on acquisition of BCG NZ (Note c)	4,541,574,877	390,879
At 31 December 2016	14,294,733,167	1,188,219

Notes:

The following changes in the share capital of the Company took place during the years ended 31 December 2016 and 2015:

(a) During the year ended 31 December 2015, 4,731,504,664 ordinary shares of the Company were issued under a rights issue at the subscription price of HK$0.45 per share on the basis of one rights share for every ordinary share of the Company held on 8 June 2015.

(b) During the year ended 31 December 2015, convertible bonds with principle amount of approximately RMB61,512,000 were converted into share capital (Note 35).

(c) On 2 September 2016, the Company issued 4,541,574,877 ordinary shares of HK$0.10 each as consideration for the Acquisition (Note 2). The fair value of the shares, determined based on the quoted market price at the date of issue was HK$0.32 per share, amounted to approximately RMB1,250,814,000, of which RMB859,935,000 was credited to share premium.

The new shares issued as mentioned above rank pari passu with the existing shares in all respects.

39. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries *RMB'000*	Share of translation reserve *RMB'000*	Share of hedging reserve *RMB'000*	Total *RMB'000*
At 1 January 2015 (restated)	1,219,411	(114,085)	(1,681)	1,103,645
Share of profit for the year (restated)	140,169	–	–	140,169
Share of translation reserve for the year (restated)	–	(75,792)	–	(75,792)
Share of hedging reserve for the year (restated)	–	–	44	44
2015 interim dividend declared by BCG NZ (restated)	(20,480)	–	–	(20,480)
Capital contribution from non-controlling interests (restated)	11,510	–	–	11,510
Non-controlling interests arising on the acquisition of businesses (Note 40(b)) (restated)	4,905	–	–	4,905
At 31 December 2015	1,355,515	(189,877)	(1,637)	1,164,001
Share of profit for the year	89,813	–	–	89,813
Share of translation reserve for the year	–	89,590	–	89,590
Share of hedging reserve	–	–	20	20
2015 final dividend declared by BCG NZ	(130,589)	–	–	(130,589)
2016 interim dividend declared by BCG NZ	(73,073)	–	–	(73,073)
Capital contribution from non-controlling interests	64,111	–	–	64,111
Non-controlling interests arising on the acquisition of businesses (Note 40(a))	19,212	–	–	19,212
Acquisition of non-controlling interests	(510)	–	–	(510)
Disposal of a subsidiary (Note 41)	(32,467)	–	–	(32,467)
At 31 December 2016	1,292,012	(100,287)	(1,617)	1,190,108

40. ACQUISITION OF BUSINESSES

(a) For the year ended 31 December 2016

On 12 January 2016, a wholly owned subsidiary of the Company acquired 51% equity interest of 江西瑞金愛思環保電力有限公司 (Jiangxi Ruijin Ai Si Environmental Electric Limited) ("Jiangxi Ruijin") from independent third parties, for a total amount of RMB15,000,000. Jiangxi Ruijin is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Ruijin City under a BOT arrangement with a concessionary period of 30 years.

On 3 February 2016, a wholly owned subsidiary of the Company acquired 60% equity interests of Gaoan Eacoon, from independent third parties, for cash consideration of RMB7,200,000. Gaoan Eacoon is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Gaoan City under a BOT arrangement with a concessionary period of 30 years.

On 31 August 2016, Waste Management NZ acquired the business operation of Pacific Rubber Recycling ("Pacific Rubber") for consideration of approximately NZ$1.0 million (equivalent to approximately RMB4,983,000). Pacific Rubber is engaged in waste tyre recycling business in New Zealand.

On 30 November 2016, Waste Management NZ acquired the business operation of Tirohia Landfill & Hamilton Organics ("Tirohia & Hamilton") for consideration of approximately NZ$16.0 million (equivalent to approximately RMB78,120,000). Tirohia & Hamilton is engaged in landfill operation in New Zealand.

These acquisitions have been accounted for using the purchase method.

Assets acquired and liabilities registered at the date of acquisitions are as follows:

	Jiangxi Ruijin	**Gaoan Eacoon**	**Pacific Rubber**	**Tirohia & Hamilton**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Concession financial asset	–	12,000	–	–	12,000
Property, plant and equipment	–	–	5,759	24,098	29,857
Deposits paid for construction of infrastructure in service concession agreement	16,673	–	–	–	16,673
Deposits, prepayment and other receivables	19,831	–	–	–	19,831
Bank balances and cash	9,353	–	–	–	9,353
Accruals and other payable	(16,445)	–	(776)	–	(17,221)
Net assets acquired	29,412	12,000	4,983	24,098	70,493

40. ACQUISITION OF BUSINESSES *(Continued)*

(a) For the year ended 31 December 2016 *(Continued)*

Goodwill arising on acquisitions

	Jiangxi Ruijin *RMB'000*	Gaoan Eacoon *RMB'000*	Pacific Rubber *RMB'000*	Tirohia & Hamilton *RMB'000*	Total *RMB'000*
Consideration transferred	15,000	7,200	4,983	78,120	105,303
Non-controlling interests	14,412	4,800	–	–	19,212
Net assets acquired	(29,412)	(12,000)	(4,983)	(24,098)	(70,493)
Goodwill	–	–	–	54,022	54,022

Goodwill arose from the acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

The acquisition of Tirohia & Hamilton was close to the year end and the purchase price allocation was still in progress as at 31 December 2016. Under the acquisition agreement, the consideration of the acquisition was amounted to approximately RMB78,120,000 and RMB24,098,000 identifiable net assets has been recognised provisionally and unallocated goodwill of approximately RMB54,022,000 was recognised as at 31 December 2016. Management shall utilise the measurement period adjustment available in HKFRS 3 *Business Combinations* to revisit and retrospectively adjust these provisional values, if necessary.

Non-controlling interests

The non-controlling interests of 49% of Jiangxi Ruijin and 40% of Gaoan Eacoon recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of Jiangxi Ruijin and Gaoan Eacoon identifiable net assets and amounted to approximately RMB14,412,000 and approximately RMB4,800,000, respectively.

During the year ended 31 December 2016, RMB88,303,000, excluding RMB17,000,000 which was paid in 2015, was paid to the vendors for the acquisitions and there is no unpaid consideration as at the year end.

40. ACQUISITION OF BUSINESSES *(Continued)*

(a) For the year ended 31 December 2016 *(Continued)*

An analysis of the cash flows in respect of the acquisitions is as follows:

Net cash outflow arising from acquisitions

	Jiangxi Ruijin *RMB'000*	Gaoan Eacoon *RMB'000*	Pacific Rubber *RMB'000*	Tirohia & Hamilton *RMB'000*	Total *RMB'000*
Net cash outflow on acquisitions:					
Cash consideration paid	(15,000)	(7,200)	(4,983)	(78,120)	(105,303)
Deposits previously paid	15,000	2,000	–	–	17,000
Bank balances and cash acquired	9,353	–	–	–	9,353
Cash inflow (outflow) from the acquisition	9,353	(5,200)	(4,983)	(78,120)	(78,950)

Impact of acquisitions on the results of the Group

The Group's revenue for the year were contributed by Jiangxi Ruijin of RMB9,510,000, Gaoan Eacoon of RMB30,139,000, Pacific Rubber of RMB2,309,000 and Tirohia & Hamilton of RMB3,367,000 between the date of acquisition and 31 December 2016.

The Group's profit for the year were contributed by Jiangxi Ruijin's loss of RMB33,000, Gaoan Eacoon's loss of RMB23,000, Pacific Rubber's loss of RMB2,228,000 and Tirohia & Hamilton's profit of RMB952,000 between the date of acquisition and 31 December 2016.

If the acquisitions had been completed on 1 January 2016, total revenue and profit for the year ended 31 December 2016 attributable to owners of the Company would have been RMB3,187,990,000 and RMB47,017,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

40. ACQUISITION OF BUSINESSES *(Continued)*

(b) For the year ended 31 December 2015

On 31 March 2015, Waste Management NZ, a wholly-owned subsidiary of the BCG NZ, acquired the remaining 50% equity interest in Living Earth, a joint venture of the Group in 2014, from the other shareholder. The acquisition was made as part of the Group's strategy to expand its New Zealand market share. The purchase consideration for the acquisition is NZ$9,801,000 (equivalent to RMB43,557,000, including a contingent consideration of RMB4,444,000).

On 2 July 2015, Waste Management NZ acquired 100% equity interest of Waste Services Marlborough from a third party, for cash consideration of NZ$2,500,000 (equivalent to RMB11,110,000). Waste Services Marlborough is engaged in bins hire and skip business in New Zealand.

On 17 July 2015, Waste Management NZ acquired 100% equity interest of Gordies Bins Limited ("Gordies Bins") from a third party, for cash consideration of NZ$2,300,000 (equivalent to RMB10,222,000). The acquisition was made as part of the Group's strategy to expand its New Zealand market share. Gordies Bins is engaged in bins hire and skip business in New Zealand.

On 1 December 2015, 北京首創環境投資有限公司 (Beijing Capital Environment Investment Limited) ("Beijing Capital Environment"), a wholly owned subsidiary of the Company acquired 70% equity interest in Zhejiang Zhuoshang, from independent third parties, for cash consideration of RMB17,500,000. Zhejiang Zhuoshang is principally engaged in the treatment of kitchen waste in the PRC.

The acquisitions have been accounted for using purchase method.

The fair values of the identifiable assets and liabilities of acquired subsidiaries as at the date of acquisitions were as follows:

	Living Earth	Waste Services Marlborough	Gordies Bins	Zhejiang Zhuoshang	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	21,181	1,640	677	322	23,820
Other intangible assets	35,429	–	–	–	35,429
Non-current assets held for sales	–	–	147	–	147
Inventories	2,422	–	–	41	2,463
Accounts receivables	5,946	–	–	364	6,310
Prepaid lease payment	–	–	–	21,869	21,869
Deposits, prepayment and other receivables	2,511	–	–	31,886	34,397
Bank and cash	4,115	–	–	30	4,145
Borrowings	–	–	–	(34,000)	(34,000)
Bank overdrafts	(4,305)	–	–	–	(4,305)
Accounts payables	(5,617)	–	–	(203)	(5,820)
Provision	(10,349)	–	–	–	(10,349)
Other payables and accruals	–	–	–	(3,959)	(3,959)
Deferred tax liabilities	(8,460)	–	–	–	(8,460)
	42,873	1,640	824	16,350	61,687

40. ACQUISITION OF BUSINESSES *(Continued)*

(b) For the year ended 31 December 2015 *(Continued)*

Goodwill arising on acquisition

	Living Earth *RMB'000*	Waste Services Marlborough *RMB'000*	Gordies Bins *RMB'000*	Zhejiang Zhuoshang *RMB'000*	Total *RMB'000*
Consideration transferred	39,113	11,110	10,222	17,500	77,945
Contingent consideration	4,444	–	–	–	4,444
Fair value of the equity interest held before the acquisition date	39,201	–	–	–	39,201
Non-controlling interests	–	–	–	4,905	4,905
Net assets acquired	(42,873)	(1,640)	(824)	(16,350)	(61,687)
Goodwill	39,885	9,470	9,398	6,055	64,808

Goodwill arose from the acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development of the subsidiaries. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from this acquisition is expected to be deductible for tax purposes.

Gain on step acquisition of Living Earth

	RMB'000
Fair value of the equity interest held before acquisition	39,201
Carrying value of the equity interest held before acquisition	(18,842)
	20,359

The fair values of the trade receivables and other receivables as at the date of acquisition of Living Earth amounted to NZ$1,338,000 (equivalent to RMB5,946,000) and NZ$24,000 (equivalent to RMB106,000), respectively. The gross contractual amounts of trade receivables and other receivables were NZ$1,338,000 and NZ$24,000, respectively, which all are expected to be collectible.

There is a NZ$1,000,000 (equivalent to RMB4,444,000) contingent consideration payable for the acquisition of Living Earth upon the occurrence of certain future events. The relevant events have not yet occurred but it is management's expectation that they will need to pay the full contracted amount of the contingent consideration of NZ$1,000,000 in the future.

40. ACQUISITION OF BUSINESSES *(Continued)*

(b) For the year ended 31 December 2015 *(Continued)*

Non-controlling interest

The non-controlling interests of 30% of Zhejiang Zhuoshang recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of Zhejiang Zhuoshang identifiable net assets and amounted to approximately RMB4,905,000.

During the year ended 31 December 2015, RMB5,000,000 was paid to the vendors for the acquisition of Zhejiang Zhuoshang and the balance of RMB12,500,000 was recognised in the other payables and accruals.

An analysis of the cash flows in respect of the acquisitions is as follows:

Net cash outflow arising from acquisitions:

	Living Earth *RMB'000*	Waste Services Marlborough *RMB'000*	Gordies Bins *RMB'000*	Zhejiang Zhuoshang *RMB'000*	Total *RMB'000*
Net cash outflow on acquisitions					
Total consideration	(39,113)	(11,110)	(10,222)	(17,500)	(77,945)
Consideration payable (Note 32(b))	–	–	–	12,500	12,500
Bank balances and cash acquired	4,115	–	–	30	4,145
Cash outflow from the acquisitions	(34,998)	(11,110)	(10,222)	(4,970)	(61,300)

The Group's revenue for the year were contributed by Living Earth of RMB41,251,000, Waste Services Marlborough of RMB4,923,000, Gordies Bins of RMB2,692,000 and Zhejiang Zhuoshang of RMB205,000 between the date of acquisition and 31 December 2015.

The Group's profit for the year were contributed by Living Earth's gain of RMB7,247,000, Waste Services Marlborough's loss of RMB541,000, Gordies Bins' loss of RMB119,000 and Zhejiang Zhuoshang's loss of RMB24,000 between the date of acquisition and 31 December 2015.

If the acquisitions had been completed on 1 January 2015, total revenue and profit for the year ended 31 December 2015 attributable to owners of the Company would have been RMB2,773,055,000 and RMB178,645,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

41. DISPOSAL OF A SUBSIDIARY

On 29 December 2016, the Group completed the disposal of 40% equity interest of Beijing Yiqing for a total cash consideration of RMB37,478,000 and the net assets of Beijing Yiqing at the date of disposal were as follows:

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	179
Prepaid lease payments	1,699
Concession financial asset	240,957
Deferred tax assets	1,856
Deposit paid for construction of infrastructure in service concession arrangements	2,104
Deposits, prepayments and other receivables	4,142
Bank balances and cash	6,646
Trade payables	(6,041)
Other payables and accruals	(55,292)
Amounts due to subsidiaries of the Group	(27,531)
Bank and other borrowings	(87,553)
Net assets disposed of	81,166
Gain on disposal of a subsidiary:	
Consideration received	37,478
Fair value of 20% equity interests retained (Note 22)	16,233
Net assets disposed of	(81,166)
Non-controlling interests	32,467
Gain on disposal	5,012
Net cash inflow arising on disposal:	
Cash consideration	37,478
Less: bank balances and cash disposed of	(6,646)
	30,832

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Guarantees of banking facilities (Note a)	13,634	25,374
Guarantees given to the government in connection with the going concern of landfills (Note b)	194,669	167,432
Guarantees given to the government in connection with fulfilling the waste collection contracts and the other activities (Note b)	42,281	46,847
	250,584	239,653

Notes:

a. The Group provided guarantees to two banks in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

b. Guarantees given represent agreements entered into with the New Zealand government authorities on continuous operation of the landfills or meeting the required operational standards.

43. OPERATING LEASE COMMITMENT

The Group as lessee

	2016 RMB'000	2015 RMB'000 (Restated)
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	65,965	56,090

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rental premises and vehicles which fall due as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Within one year	50,071	44,161
In the second to fifth years	104,108	78,492
After five years	58,395	36,376
	212,574	159,029

Operating lease payments represent rentals payable by the Group for certain of its rented premises and vehicles. Leases are negotiated for terms ranged from one to nineteen years.

44. CAPITAL COMMITMENT

	2016 *RMB'000*	2015 *RMB'000* (Restated)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of		
– construction work under service concession arrangements	506,173	65,551
– property, plant and equipment	73,254	67,738
	579,427	133,289

In addition to the above commitments, the Group has granted a number of put options to secure additional land surrounding the Redvale landfill in New Zealand. The total commitment amounts to RMB70,441,000 at 31 December 2016 (2015: RMB49,286,000 (restated)).

45. OTHER COMMITMENT

On 18 October 2011, a wholly owned subsidiary of the Company entered into a tender agreement with Guangzhou City Management Committee, a governmental authority and acted together with Guangdong Environmental Engineering & Equipment General Corporation to set up a project company with a registered capital of not less than approximately RMB97,870,000 (2015: RMB97,870,000) which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years. 30% of the registered capital of the project company will be contributed by a wholly owned subsidiary of the Company. The tender agreement is still effective at 31 December 2016. The capital of the project company has yet to be registered at 31 December 2016.

As at 31 December 2013, the Group is bounded by agreement to acquire the remaining equity interest at Duyun Kelin and Weng'an Kelin from Haohua Environmental with preliminary consideration of RMB3,300,000 and RMB4,200,000 respectively. During the year ended 31 December 2016, Haohua Environmental filed a litigation requiring the Group to acquire the remaining equity interest. In accordance to the court ruling, the Group has paid RMB2,800,000 to acquire the remaining equity interest of Duyun Kelin during the year ended 31 December 2016, while the court waived the Group's obligation to acquire the remaining interest of Weng'an Kelin. The equity transfer of Duyun Kelin has not yet completed at 31 December 2016.

46. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank and others borrowings disclosed in Note 34, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

The directors of the Company review the capital structure on a quarterly basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

47. FINANCIAL INSTRUMENTS

47a. Categories of financial instruments

	2016 RMB'000	2015 RMB'000 (Restated)
Financial assets		
Loans and receivables (including cash and cash equivalents)	2,804,430	3,065,411
Derivative financial instruments in designated hedge accounting relationship	–	107
Available-for-sale investments	80,131	86,487
Financial liabilities		
Derivative financial instruments in designated hedge accounting relationship	337	–
Amortised cost	4,266,637	3,792,283

47b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, concession financial assets, amounts due from associates, available-for-sale investments, derivative financial instruments, pledged bank deposits, bank balances and cash, trade payables, other payables, amounts due to shareholders of a subsidiary and bank and other borrowings. Details of these financial instruments are disclosed in their respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Certain bank balances and cash and bank and other borrowings, of the Group are denominated in HK$, United States Dollars ("USD") and Australian Dollars ("AUD") which exposes the Group to foreign currency risk. During the year ended 31 December 2016 and 2015, no sales and costs of sales of the Group are denominated in currencies other than the group entity's functional currencies.

The Group has used forward currency contracts to eliminate the foreign currency exposures, so foreign currency risk has been minimised.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2016 RMB'000	2015 RMB'000
Assets		
HK$	182,779	270,371
USD	18,571	24,562
AUD	–	1,289
Liabilities		
HK$	2,788	4,263
USD	185	–

47. FINANCIAL INSTRUMENTS *(Continued)*

47b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuations in HK$ against RMB, which is the functional currency of the Company.

The following details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in HK$ against RMB. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2015: 5%) change in foreign currency rates. When HK$ strengthens 5% (2015: 5%) against RMB, the profit of the Group would increase by RMB6,750,000 (2015: increase by RMB9,979,000 (restated)). For a 5% (2015: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit of the Group.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amounts due from associates, and fixed-rate borrowings (see Notes 29 and 34 for details). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate borrowings (see Notes 30 and 34). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank interest rate arising from the bank balances and PRC Benchmark Loan Rate and NZLIBOR arising from the Group's RMB and NZ$ denominated borrowings.

At 31 December 2016, the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates arising from the Group's variable-rate borrowings at the end of the reporting period. For these variable-rate borrowings, the analysis is prepared using the liability outstanding at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

At 31 December 2016, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by RMB2,081,000 (2015: decrease/increase by RMB1,793,000 (restated).

47. FINANCIAL INSTRUMENTS *(Continued)*

47b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in waste treatment and waste-to-energy industry sector quoted on the Stock Exchange of Hong Kong Limited. In addition, the Group is also exposed to electricity price and has entered into forward power supply agreement. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower, the investment revaluation reserve would increase/decrease by RMB6,390,000 (2015: RMB8,649,000 (restated)) for the Group as a result of the changes in fair value of available-for-sale investments.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the amounts of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 42.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is being closely monitored.

The Group's concentration of credit risk by geographical locations is mainly in China and New Zealand which accounted for 55% and 45%, respectively (2015: 51% and 49%) of the total trade receivables as at 31 December 2016.

47. FINANCIAL INSTRUMENTS *(Continued)*

47b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group has concentration of credit risk in concession financial assets and dismantling subsidy receivable included under trade receivables of RMB1,288,559,000 and RMB333,064,000, respectively (2015: RMB1,012,229,000 and RMB247,447,000 respectively) as at 31 December 2016, representing guaranteed waste treatment fee to be received from twelve (2015: eight) grantors in service concession arrangements of waste treatment and waste-to-energy plants and treatment of waste and electronic products. The Group considers the risk is limited as the grantors are government authorities in the PRC with a high reputation.

The Group also has concentration of credit risk in deposits paid for construction of infrastructure in service concession arrangements as 77% (2015: 76%) of total deposits was paid to the Group's largest supplier in the PRC which is subject to arbitration proceedings at the end of the reporting period as detailed in Note 26. The estimated recoverable amount of the deposits of RMB40,050,000 (2015: RMB40,050,000 (restated)) to the largest supplier, net of impairment loss of RMB89,600,000 (2015: RMB89,600,000 (restated)), is based on the best estimate of the management of the allowable expenses incurred by the largest supplier with reference to the legal opinion provided by the independent lawyer. The Group considers that the credit risk on the deposit paid after impairment provided is limited (See Note 26). The directors and the shareholders of the Company have no interest in the largest supplier mentioned above.

As at 31 December 2016, included in the deposits, prepayments and other receivables of RMB47,396,000 (2015: approximately RMB32,675,000 (restated)) are advances made to suppliers and RMB29,862,000 (2015: RMB31,348,000 (restated)) are loan receivable from a related party of a former shareholder of an acquired subsidiary. Impairment loss of RMB5,200,000 (2015: RMB14,819,000 (restated)) was recognised during 2016 in relation to advances made to suppliers that has been overdue for more than 360 days.

The Group considers that the credit risk on advances made to suppliers and on other receivables is limited as these parties are of good credit history.

The credit risk of amounts due from associates and amount due from an available-for-sale investee are limited because the associates are profit generating and the major shareholder of the available-for-sale investment has guaranteed the repayment of advance.

The credit risk on bank balances is limited because the counterparties are reputable banks in the New Zealand, PRC and Hong Kong.

47. FINANCIAL INSTRUMENTS *(Continued)*

47b. Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of liquidity risk, the Company maintains a level of bank balances deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuation of cash flows.

The directors of the Company regularly monitor current and expected liquidity requirements to ensure it maintains sufficient reserves of cash and bank balances and adequate unutilised banking facilities to meet with its liquidity requirements.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	Repayable on demand *RMB'000*	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
2016								
Trade and other payables		401,206	–	–	–	–	401,206	401,206
Financial guarantee contracts		250,584	–	–	–	–	250,584	–
Amounts due to shareholders of a subsidiary		–	149,776	–	–	–	149,776	149,776
Derivative financial instruments		–	137	200	–	–	337	337
Bank and other borrowings								
– Fixed rate	4.86%	–	470,811	2,840,248	1,872	57,850	3,370,781	3,160,673
– Variable rate	5.96%	–	162,712	112,769	312,051	79,300	666,832	554,982
		651,790	783,436	2,953,217	313,923	137,150	4,839,516	4,266,974

47. FINANCIAL INSTRUMENTS *(Continued)*

47b. Financial risk management objectives and policies *(Continued)*

***Liquidity risk** (Continued)*

Liquidity and interest risk tables (Continued)

	Weighted average interest rate	Repayable on demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2015								
Trade and other payables		335,155	–	–	–	–	335,155	335,155
Financial guarantee contracts		239,653	–	–	–	–	239,653	–
Amounts due to shareholders of a subsidiary		–	137,769	–	–	–	137,769	137,769
Bank and other borrowings								
– Fixed rate	4.89%	–	439,877	126,659	2,585,943	–	3,152,479	2,841,169
– Variable rate	6.37%	–	106,187	63,381	308,576	92,084	570,228	478,190
		574,808	683,833	190,040	2,894,519	92,084	4,435,284	3,792,283

The amount included above for financial guarantee contracts as disclosed in Note 42 is the maximum amount the Group would be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

47. FINANCIAL INSTRUMENTS *(Continued)*

47c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The level in the fair value hierarchy within which the financial asset or liability is categories in its entirety is based on the lowest level of input that is significant to the fair value measurement.

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2016 *RMB'000*	2015 *RMB'000*		
Listed available-for-sale investments	**63,898**	86,487	Level 1	Quoted bid prices in an active market
Forward currency contracts and forward power supply agreement	**(333)**	107	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate the reflects the credit risk of various counterparties.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value which is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

48. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, the Group

(i) issued 4,541,574,988 ordinary shares of the Company for the Acquisition (Note 2);

(ii) recognised construction revenue of RMB196,484,000 (2015: RMB203,526,000), operation revenue of RMB26,311,000 (2015: RMB44,221,000) and effective interest income of RMB70,592,000 (2015: RMB69,530,000) in return for concession financial assets;

(iii) recognised dividend income declared by SZ Yueneng of RMB7,775,000 (2015: RMB17,670,000) in terms of loans receivables from SZ Yueneng and included in amounts due from associates.

During the year ended 31 December 2015, settlement of RMB19,967,000 of a fully impaired receivables was recovered by way of 24% equity interest of the receivables (Note 8).

49. RELATED PARTY TRANSACTIONS

During the year, in addition to the balances and transactions disclosed in Notes 2, 29, 32, 34 and 35, the Group entered into the following significant transactions with related parties:

(i) The transactions and balances with government related entities are listed below:

The Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related entities"). A substantial shareholder with significant influence to the Company, Beijing Capital (HK), is a company incorporated in Hong Kong with limited liabilities, is ultimately controlled by the PRC government. The ultimate parent of Beijing Capital (HK) is Beijing Capital Group, which is controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

During the year ended 31 December 2015, Beijing Capital Group and one of its subsidiaries, Beijing Capital Investment & Guarantee Co., Ltd, provided corporate guarantees to the Group. Handling charges of RMB2,590,000 and RMB661,000 were paid to Beijing Capital Group and Beijing Capital Investment & Guarantee Co., Ltd, respectively during 2015. No handling charges were paid during the year ended 31 December 2016.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(i) The transactions and balances with government related entities are listed below: (continued)

(a) Transactions and balances with Beijing Capital (HK):

Name of the related parties	**Nature of the transactions**	**2016** *RMB'000*	2015 *RMB'000*
Entity with significant influence over the Group:			
Beijing Capital (HK)	Interest expenses (Note)	–	13,956
	Rental expenses (Note)	1,234	1,168

Note: The interest and rentals were charged in accordance with the relevant agreements.

(b) Transactions and balances with other government-related entities:

During the year ended 31 December 2016 and 2015, the Group recognised revenue from the services under service concession agreement approximately to RMB196,484,000 and RMB26,311,000 (2015: approximately to RMB203,526,000 and RMB44,221,000) under service concession arrangements with the local governments in PRC as disclosed in Note 21.

As at 31 December 2016 and 2015, the deposits paid for construction of infrastructure in service concession arrangements with the government related entity, Urban Construction Institute, are disclosed in Note 26.

As at 31 December 2016, trade receivable from government subsidies in relation to the licenses and franchises for the treatment of certain waste electric and electronic products (Note 28(a)) are approximately RMB333,064,000 (2015: approximately RMB247,447,000).

The Group maintained most of its bank deposits in government-related financial institutions associated with the respective interest income received while banking facility of the Group obtained is also from a government-related financial institution.

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) The transactions and balances with non-government-related entities which are related to the Group are listed below:

Name of the related parties	**Nature of the transactions**	**2016** *RMB'000*	2015 *RMB'000* (Restated)
Fellow subsidiary:			
BCG Chinastar	Interest expense (Note)	**131,786**	74,599
Associate:			
SZ Yueneng	Interest income (Note)	**2,363**	1,728
	Dividend	**7,774**	17,760
Beijing Lanjie	Interest income (Note)	**169**	–
Joint ventures:			
Pikes Point Transfer Station	Revenue	**10,922**	9,052
	Cost of sales	**13,687**	10,397
Midwest Disposals	Revenue	**5,736**	5,458
	Cost of sales	**26,079**	21,893
Trans Waste	Revenue	**100,275**	86,082
	Cost of sales	**36,512**	37,929
Burwood Resource	Revenue	**17,769**	19,873
Recovery Park Limited	Cost of sales	**128**	79
Tiromoana Station Limited	Revenue	**3**	2
Joint operation:			
Waste Disposal Services	Revenue	**4,776**	4,395
	Cost of sales	**16,651**	15,937
A company owned by the non-controlling interest of Jiangsu Subei:			
淮安市財發擔保有限公司 (Huaian Caifa Guarantee Co., Ltd)	Loan guarantee fee	**900**	4,000

Note: The interest was charged in accordance with the relevant loan agreements.

Details of the outstanding balances with SZ Yueneng are set out in Note 29.

49. RELATED PARTY TRANSACTIONS *(Continued)*

(iii) The remuneration of key management personnel during the year was as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Short-term benefits	**5,051**	5,279
Post-employment benefits	**46**	–
	5,097	5,279

50. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefits schemes in the PRC based on certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group costs respect to the retirement benefit schemes is to make the specified contributions.

The employees of the subsidiaries in New Zealand are members of KiwiSaver scheme operated by the New Zealand government. The employees are allowed to join the schemes voluntarily by contributing a certain level of the gross pay on a monthly basis, while the employer would be compulsorily obligated to contribute to the scheme once the employees join. The New Zealand government is responsible for the pension liability to these retired staff. The only obligation of the Group costs respect to the retirement benefit schemes is to make the specified contributions.

The Group also operates various defined contribution retirement benefits schemes for those employees other than in Hong Kong, the PRC and New Zealand. Contributions are made based on the percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of these schemes. The assets of these schemes are held separately from those of the Group in various independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

The total expense recognised in profit or loss of RMB20,901,000 (2015: RMB11,157,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

51. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution of the shareholders of the Company and was expired on 14 June 2016. The purpose of the Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to those persons to continue to contribute to the Group's long term success and prosperity. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective on 13 July 2006 (being the date of listing of the shares of the Company on the Stock Exchange).

There was no shares in respect of which options had been granted and remained outstanding under the Scheme as at 31 December 2015. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days after the date of grant, upon payment of RMB1.0 per option. Options may be exercised at any time during the period as determined by the directors of the Company. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

51. SHARE OPTION SCHEME *(Continued)*

Details of specific categories of options are as follows:

Date of grant	Number of options	Adjusted number of options (Note)	Vesting period	Exercise period	Exercise price	Adjusted exercise price (Note)
6.9.2010	14,300,000	18,139,945	Nil	6.9.2010 to 5.9.2016	HK$0.501	HK$0.395

Note: The number of share options and exercise price have been adjusted upon the completion of the rights issue of shares of the Company with effect from 2 July 2014.

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2015:

Share options grant date	Outstanding at 1.1.2015	Adjusted during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2015
6.9.2010	2,703,288	341,192	–	–	(3,044,480)	–
	2,703,288	341,192	–	–	(3,044,480)	–
Exercisable at the end of the year	–					–
Weighted average exercise price	HK$0.44	HK$0.40	N/A	N/A	HK$0.40	N/A

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

No expense is recognised for the year ended 31 December 2016 and 2015 in relation to share options granted by the Company.

52. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 December 2016 and 2015 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company		Principal activities
			2016	2015	
Biomax Environmental Technology Germany GmbH (Note a)	Germany	Registered capital EUR25,000	100%	100%	Provision of procurement and consulting services
Biomax Environmental Technology Limited	Hong Kong	Ordinary shares RMB100	100%	100%	Investment holding
Win Concept Enterprises Limited	Hong Kong	Ordinary shares RMB100	100%	100%	Provision of technical services
NC Capital	PRC	Registered capital RMB209,000,000	100%	100%	Production and operating of factories for municipal solid waste treatment
Yangzhou Capital Investment Limited 揚州首創投資有限公司 (Formerly known as Yangzhou Capital Solid Investment Limited 揚州首拓投資有限公司)	PRC	Registered capital US$55,000,000	100%	100%	Provision of technical services
Beijing Capital Environment	PRC	Registered capital RMB1,404,000,000	100%	100%	Provision of technical services
Biomax Environmental Technology (Shanghai) Company Limited 百瑪士環保科技(上海)有限公司	PRC	Registered capital US$5,400,000	100%	100%	Provision of consulting services
Beijing Yqing (Note b)	PRC	Registered capital RMB93,689,400	20%	60%	Municipal solid waste recycling treatment
Duyun Kelin	PRC	Registered capital RMB40,000,000	91.75%	91.75%	Municipal solid waste treatment
Weng'an Kelin	PRC	Registered capital RMB21,000,000	80%	80%	Municipal solid waste treatment
Jiangsu Subei	PRC	Registered capital RMB216,000,000	55%	55%	Recycle and disassemble waste electrical and electronic equipment

52. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company		Principal activities
			2016	2015	
Xinxiang Capital Solid Environmental Energy Limited 新鄉市首拓環保能源有限公司	PRC	Registered capital RMB20,000,000	70%	70%	Production and operating of factories for municipal solid waste treatment
Anhui Capital Environmental Technology Company Limited 安徽首創環境科技有限公司	PRC	Registered capital RMB80,000,000	95%	95%	Recycle and disassemble waste electrical and electronic equipment
Huizhou Guanghui	PRC	Registered capital RMB245,600,000	97.85%	97.85%	Waste treatment and waste-to-energy generation project
Huludao Kangte	PRC	Registered capital RMB40,000,000	100%	100%	Municipal solid waste treatment
Zhejiang Zhuoshang (Note e)	PRC	Registered capital RMB60,000,000	70%	70%	Recycle and waste treatment
Ningbo Capital Environment Kitchen Waste Treatment Company Limited 寧波首創廚餘垃圾處理有限公司 (Note d)	PRC	Registered capital RMB90,200,000	60%	N/A	Kitchen waste treatment
Yangzhou Capital Solid Environment Technology Limited 揚州首拓環境科技有限公司	PRC	Registered capital RMB80,000,000	87.5%	N/A	Hazardous waste treatment
Nanyang Capital	PRC	Registered capital RMB50,000,000	100%	100%	Municipal solid waste treatment
Duyun Capital Environmental Sanitation Services Limited 都勻市首創環衛服務有限公司 (Note d)	PRC	Registered capital RMB5,000,000	100%	N/A	Waste collection and transportation
Gaoan Eacoon (Note c)	PRC	Registered capital RMB50,000,000	60%	N/A	Waste treatment and waste-to-energy generation
Jiangxi Ruijin (Note c)	PRC	Registered capital RMB100,000,000	97%	N/A	Waste treatment waste-to-energy generation

52. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2016	2015	Principal activities
Sichuan Zhong Xin Environment Technology Limited 四川中欣環保科技有限公司 (Note d)	PRC	Registered capital RMB50,000,000	51%	N/A	Hazardous waste treatment
Beijing Capital Intelligent Environmental Sanitation Development Co. Ltd. 北京首創智慧環衛發展有限公司 (Note d)	PRC	Registered capital RMB4,000,000	70%	N/A	Waste collection and transportation
Jinzhong Capital Environment Resources Limited 晉中市首創環和環保能源有限公司 (Note d)	PRC	Registered capital RMB22,150,000	63.88%	N/A	Kitchen waste treatment
Xihua Capital Environment Resources Limited 西華首創環保能源有限公司 (Note d)	PRC	Registered capital RMB100,000,000	100%	N/A	Waste treatment waste-to-energy generation
Xihua Capital Environment Sanitation Limited 西華首創環衛有限公司 (Note d)	PRC	Registered capital RMB15,000,000	100%	N/A	Waste collection and transportation
Zibo Capital Solid Environment Technology Limited 淄博首拓環境科技有限公司 (Note d)	PRC	Registered capital RMB10,000,000	100%	N/A	Hazardous waste treatment
Shicheng Capital Environment Limited 石城縣首創環保有限公司 (Note d)	PRC	Registered capital RMB20,000,000	60%	N/A	Municipal solid waste treatment
Beijing Capital Group NZ Investment Holdings Limited	New Zealand	Registered capital NZ$209,987,539	51%	51%	Investment Holding
Beijing Capital Waste Management NZ Limited	New Zealand	Registered capital NZ$579,421,989	51%	51%	Investment Management
Waste Management NZ Limited	New Zealand	Registered capital NZ$0	51%	51%	Waste management service
Living Earth Limited (Note e)	New Zealand	Registered capital NZ$2,550,000	51%	51%	Organic composting service

52. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes:

(a) These companies are wholly owned foreign enterprises.

(b) 40% of the equity interests in Beijing Yiqing was disposed of during the year ended 31 December 2016 and it was reclassified as available-for-sale investments subsequently. For details, please refer to Note 41.

(c) The companies were acquired by the Group during the year ended 31 December 2016.

(d) The companies were established by the Group during the year ended 31 December 2016.

(e) The companies were acquired by the Group during the year ended 31 December 2015.

(f) BCG NZ was deemed to be acquired by the Group since its incorporation in 2014 as disclosed in Note 2.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiaries	Place of incorporation and operations	Proportion of equity interest and voting rights held by non-controlling interests	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2016	2015	**2016**	2015
			RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
BCG NZ	New Zealand	49%	**106,486**	133,311	**970,241**	977,807
Individually immaterial subsidiaries with non–controlling interest			**(16,673)**	6,858	**219,867**	186,194
			89,813	140,169	**1,190,108**	1,164,001

52. PRINCIPAL SUBSIDIARIES *(Continued)*

Summarised financial information in respect of the Group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below is presented on a consolidated basis and represents amounts before intragroup eliminations and retrospective adjustment on provisioned amounts.

BCG NZ

	2016 *RMB'000*	2015 *RMB'000*
Current assets	**401,424**	726,210
Non-current assets	**5,328,042**	4,674,313
Current liabilities	**(663,692)**	(590,399)
Non-current liabilities	**(3,085,690)**	(2,814,599)
Equity attributable to owners of the Company	**1,009,843**	1,017,718
Non-controlling interests	**970,241**	977,807
Revenue	**2,101,170**	1,959,702
Expenses	**(1,883,851)**	(1,687,639)
Profit for the year	**217,319**	272,063
Profit for the year attributable to:		
Owners of the Company	**110,833**	138,752
Non-controlling interests	**106,486**	133,311
Profit for the year	**217,319**	272,063
Other comprehensive income attributable to:		
Owners of the Company	**93,267**	(78,840)
Non-controlling interests	**89,610**	(75,748)
Other comprehensive income for the year	**182,877**	(154,588)
Total comprehensive (income) expense attributable to		
Owners of the Company	**204,100**	59,912
Non-controlling interests	**196,096**	57,563
Total comprehensive (income) expense for the year	**400,196**	117,475
Net cash inflow from operating activities	**497,532**	444,046
Net cash inflow from investing activities	**(330,295)**	(222,538)
Net cash inflow from financing activities	**(546,871)**	(43,858)
Net cash outflow	**(379,634)**	177,650

53. EVENT AFTER THE REPORTING PERIOD

On 19 January 2017, a wholly owned subsidiary,

(a) entered into concession agreement with People's Government of Suixian County for an integrated urban and rural sanitation and solid waste incineration project in Suixian County with total estimated investment cost of RMB600 million.

(b) entered into concession agreement with People's Government of Duyun City for an integrated project of construction and operation of the urban and rural waste collection and transfer system in Duyun City with total estimated investment cost of RMB18.25 million.

(c) obtained consent from Government of Linzi District to set up a project company to invest in the integrated utilization and treatment center for hazardous waste project located in Linzi District with total estimated investment cost of RMB10 million.

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	NOTES	2016 *RMB'000*	2015 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		64	83
Amounts due from subsidiaries		1,636,181	1,579,570
Investments in subsidiaries		1,369,459	168,809
		3,005,704	1,748,462
CURRENT ASSETS			
Deposit, prepayment and other receivables		1,681	244
Bank balances and cash		92,179	179,809
		93,860	180,053
CURRENT LIABILITIES			
Other payables and accruals		4,615	3,883
NET CURRENT ASSETS		89,245	176,170
		3,094,949	1,924,632
CAPITAL AND RESERVES			
Share capital	38	1,188,219	797,340
Reserves (Note)		1,906,730	1,127,292
TOTAL EQUITY		3,094,949	1,924,632

The Company's statement of financial position was approved and authorised for issue by the board of directors on 22 March 2017 and is signed on its behalf by:

WU LISHUN
DIRECTOR

CAO GUOXIAN
DIRECTOR

54. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY *(Continued)*

Note: Movement in reserves

	Share premium *RMB'000*	Share option reserve *RMB'000*	Convertible bonds equity reserve *RMB'000* *(Note 35)*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2015	1,709,530	78	41,585	(1,944,489)	(193,296)
Loss and total comprehensive expense for the year	–	–	–	(41,207)	(41,207)
Rights issue (Note 38)	1,339,804	–	–	–	1,339,804
Share issuance expenses	(12,523)	–	–	–	(12,523)
Conversion of convertible bonds (Note 35)	76,099	–	(41,585)	–	34,514
Lapse of share option (Note 51)	–	(78)	–	78	–
At 31 December 2015	3,112,910	–	–	(1,985,618)	1,127,292
Loss and total comprehensive expense for the year	–	–	–	(80,497)	(80,497)
Issue of shares for the acquisition of BCG NZ (Note 38)	859,935	–	–	–	859,935
At 31 December 2016	3,972,845	–	–	(2,066,115)	1,906,730

FINANCIAL SUMMARY

	For the year ended 31 December				
	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000* (Restated)	2015 *RMB'000* (Restated)	**2016** ***RMB'000***
RESULTS					
Revenue	14,299	223,693	1,820,402	2,639,432	**2,707,882**
(Loss) profit attributable to owners of the Company	(119,408)	(98,501)	42,184	157,825	**43,848**

	As at 31 December				
	2012 *RMB'000*	2013 *RMB'000*	2014 *RMB'000* (Restated)	2015 *RMB'000* (Restated)	**2016** ***RMB'000***
ASSETS AND LIABILITIES					
Total assets	850,091	1,648,081	7,919,574	8,913,259	**9,256,315**
Total liabilities	(808,912)	(1,118,068)	(5,445,697)	(4,548,754)	**(4,964,330)**
	41,179	530,013	2,473,877	4,364,505	**4,291,985**
Equity attributable to owners of the Company	48,842	375,763	1,370,232	3,200,504	**3,101,877**
Non-controlling interests	(7,663)	154,250	1,103,645	1,164,001	**1,190,108**
	41,179	530,013	2,473,877	4,364,505	**4,291,985**

Note:

The financial summary of the Group as at 31 December 2014 and 31 December 2015 have been restated to include the assets and liabilities of BCG NZ Investment Holding Limited ("BCG NZ") and its subsidiaries as if they were within the Group since 28 March 2014 and the results for the year ended 31 December 2014 and 2015 have also been restated to include the results of BCG NZ and its subsidiaries since BCG NZ and the Group were under common control by Beijing Capital Group from 28 March 2014. BCG NZ was acquired by the Group during the year ended 31 December 2016 and details of the acquisition are set out in Note 2 to the consolidated financial statements.

Capital Environment Holdings Limited
首創環境控股有限公司

MIX
Paper from responsible sources
FSC™ C022951
www.fsc.org

The FSC™ logo identifies products which contain wood and virgin fibre from responsible sources certified in accordance with the rules of the Forest Stewardship Council®.
FSC™ 標誌表示產品所含的木料及原纖維組源自負責任的森林資源，該等森林已獲得 Forest Stewardship Council® 的規例認證。