綠色動力

綠色動力環保集團股份有限公司
Dynagreen Environmental Protection Group Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)

Stock Code : 1330

ANNUAL REPORT 2014

Contents

Corporate Information

Board of Directors

Non-executive Directors

Mr. ZHI Jun *(Chairman)*
Mr. GUO Yanbin *(Deputy Chairman)*#
Ms. SUN Jing
Mr. LIU Shuguang
Mr. YAO Ji#
Mr. Ma Xiaopeng*

Executive Directors

Mr. QIAO Dewei *(General Manager)*
Mr. Hu Shengyong*

Independent Non-executive Directors

Mr. LAI Desheng
Ms. CHEN Xin
Mr. KWAN Kai Cheong@
Ms. Li Ping$^{\Delta}$

Audit Committee

Mr. KWAN Kai Cheong@ *(Chairman)*
Ms. CHEN Xin
Mr. YAO Ji#
Mr. Ma Xiaopeng*

Remuneration and Appraisal Committee

Ms. CHEN Xin *(Chairman)*
Ms. SUN Jing
Mr. LAI Desheng

Nomination Committee

Mr. LAI Desheng *(Chairman)*
Mr. GUO Yanbin#
Mr. Ma Xiaopeng*
Mr. KWAN Kai Cheong@

Strategy Committee

Mr. ZHI Jun *(Chairman)*
Ms. SUN Jing
Mr. LIU Shuguang
Mr. QIAO Dewei
Mr. LAI Desheng

Supervisory Committee

Mr. Luo Zhaoguo *(Chairman)*
Mr. Liu Jinsong
Ms. Zhong Xia^
Ms. Hu Fang+

Joint Company Secretaries

Mr. ZHU Shuguang
Mrs. SENG SZE, Ka Mee Natalia

Authorized Representatives

Mr. QIAO Dewei
Mr. ZHU Shuguang

Legal Advisor as to Hong Kong Law

Allen & Overy

Auditor

KPMG

Compliance Advisor

Somerley Capital Limited

Principal Bankers

China Merchants Bank Co., Ltd.
Bank of Communications Co., Ltd.
China Development Bank

Share Registrar

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

Company's Website

www.dynagreen.com.cn

Registered Office (Principal Place of Business in the PRC)

2nd Floor, Northeastern Wing,
Jiuzhou Electronic Building,
007 Keji South 12th Street,
Nanshan District,
Shenzhen, the PRC

Place of Business in Hong Kong

1st Floor, Xiu Ping Commercial Building,
104 Jervois Street,
Hong Kong

Stock Code

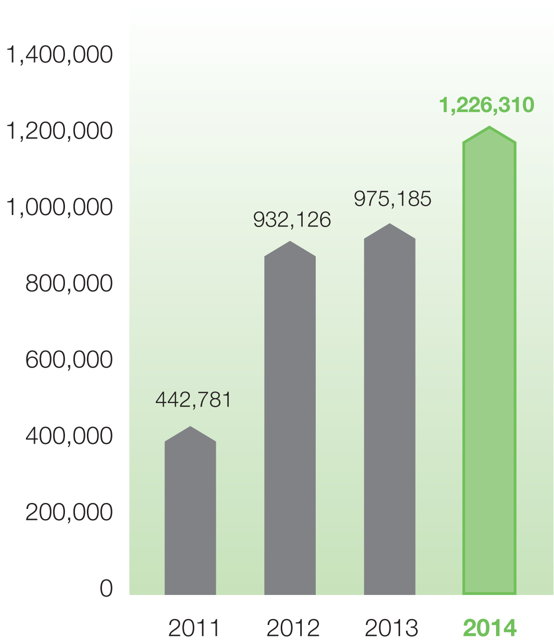
1330

Resigned on 20 August 2014.
* Appointed on 7 November 2014.
^ Resigned on 14 August 2014.
+ Appointed on 14 August 2014.
Δ Resigned on 22 January 2014.
@ Appointed on 22 January 2014.

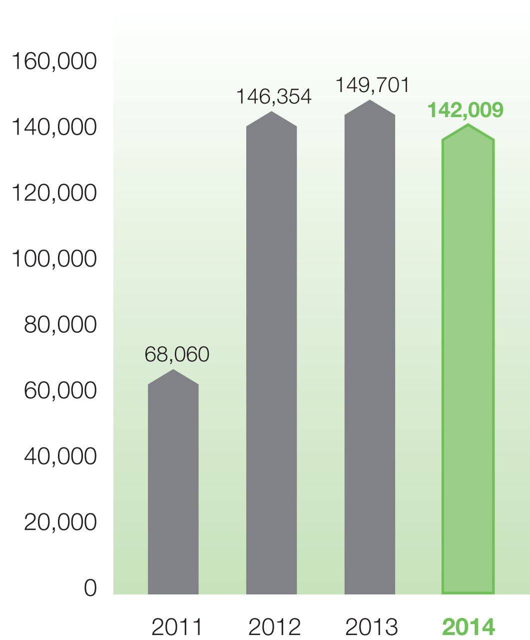
Financial Highlights

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Results				
Turnover	**1,226,310**	975,185	932,126	442,781
Gross profit	**377,151**	287,163	233,177	133,081
Gross profit margin	**30.75%**	29.45%	25.02%	30.06%
Total comprehensive income for the year attributable to equity shareholders of the Company	**142,009**	149,701	146,354	68,060
Financial position				
Total assets	**4,462,217**	3,350,495	2,413,193	1,548,086
Total liabilities	**2,284,825**	2,139,062	1,216,541	497,788

Turnover
(RMB'000)



Total comprehensive income for the year attributable to equity shareholders of the Company
(RMB'000)



* The financials of the Group in 2010 were audited under different accounting standards and as such are not set out in this annual report.

Chairman's Statement

Dear Shareholders,

It's my pleasure to present the Shareholders of Dynagreen Environmental Protection Group Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") with the Company's business review for the year ended 2014 and the prospect for the year of 2015.

The year of 2014 marks a meaningful milestone for the Group's development. With strong support from the shareholders, regulatory authorities and the parties concerned, the shares of the Group were successfully listed on the Hong Kong Stock Exchange on 19 June 2014 and gained access to the international capital market, which marks as a historical step on the Group's road towards achieving its strategic goal. After the listing, the Group's comprehensive strength and impact on the market have been significantly improved. For the year ended 31 December 2014, the Group's total asset was RMB4,462.22 million, representing an increase of 33% as compared to that of last year, and total equity as at 31 December 2014 amounted to RMB2,177.39 million, representing an increase of 80% as compared to last year.

Air pollution, garbage siege, low recycling rate and other environmental protection problems seriously affected the economic development of China. Environmental protection is the basic principle of the national development strategies, and having been ranked the first among the seven strategic emerging industries, energy-saving industry plays a vital role in the low carbon economy and is defined as a pillar industry of the national economy. All citizens from the country paid great attention to environmental protection, and promoted the green economy developing in a high-speed way. During the "12th Five-Year Plan" period, the government continued to strengthen the environmental protection standardization system comprehensively, optimize the innoxious treatment and disposal pollution control standard of the solid waste, and promote the economic structural adjustment, thus achieving growth in the green economy. The environmental protection industry will continue to keep a positive developmental trend benefiting from the support of national policy as well as the continuous economic growth and the demand for economic structure transition.

In 2014, the Group continued to steadily promote waste-to-energy business, continuously raised the management standard, strengthened the awareness of standardized management of various projects under operation, ensured the projects "have stable operation and meet the emission standards", efficiently drove the construction process of both work in progress and planned projects while making all endeavors to build quality project works. The Group also continued to strengthen research and development of technology, to expand the source of financing and to develop new projects, all of which would ensure the Group's sustainable development.

In 2014, by overcoming challenges and grasping opportunities from the market, the Group actively developed environmental protection related projects in Guangdong Province, Hunan Province, Guangxi Province and Beijing. In particular, we made breakthrough in the area of Beijing, which consolidated the Group's leading position as a waste-to-energy company in the PRC.

Looking forward, the Group is committed to upholding its core principle of "generating social benefits is the primary goal while economic efficiency is the basis", and dedicated to providing professional, high-quality and efficient municipal solid waste treatment services for the government, providing systematic solutions in order to reduce the toxicity and volume of municipal solid waste and transform it into a useful resource, improving environmental standards in the cities, fulfilling its commitment and responsibility to the society and making more contribution to the social development, economic growth and environmental governance. The Group will continue to create more value to reward its shareholders and to devote itself to the business of environmental protection of China.

Lastly, on behalf of the Board of Directors (the "**Board**") of the Company, I would like to take this opportunity to express my heartfelt gratitude for the support of all the shareholders and stakeholders of the Group to the development of the Group during the previous year, and to extend my thankfulness to all employees of the Group for their devotion and contribution made in the past year.

Zhi Jun
Chairman

Shenzhen, the PRC
20 March 2015

Management Discussion and Analysis

Industry Overview

As an important engine of the world economy, China has been positively driving the transformation of economic structure, while continuously maintaining its stable economic growth. The Chinese government ranked the energy-saving and environmental protection industry the first among the seven strategic emerging industries, and defined it as pillar industry of the national economy. Policy support is given to the energy-saving and environmental protection industry in the areas of taxation, finance, industry and investment and lands, etc. Waste-to-energy industry is an important sub-industry of the energy-saving and environmental protection industry, and has attracted much attention from different sectors. According to the "12th Five-Year Plan", incineration treatment capacity as a proportion of the total waste treatment capacity is expected to increase from 20% in 2010 to 35% in 2015, equivalent from a CAGR of 28%, while the proportion allocated to landfill is expected to decrease from 77% in 2010 to 59% in 2015.

With stricter requirements for environmental protection and the development in waste-to-energy technology, the industry of waste-to-energy faced fierce market competition and regulatory environment. Currently, incineration and treatment of municipal solid waste in PRC face a stage involving large-scale investment and construction and the industry enters into a stage of marketization and all-round development, with different investors from state-owned enterprises, listed companies, foreign-invested enterprises and private capital bodies entering into the competitive market proactively. In addition, new environmental protection law and emission standards will be implemented in China in 2015, which represent the most stringent environmental regulation and law enforcement and will build good foundation for the long-term healthy development of the environmental protection industry and at the same time put forward higher requirements for domestic environmental-friendly enterprises.

Looking forward, in the period during the "13th Five-Year Plan", the Chinese government will not lessen its concern on well being issues, and the attention paid to energy-saving and environmental protection industry will continue to increase. With the promotion of urbanization, policies such as the promotion of "Constructing Beautiful China" will continuously boost the development of the environmental protection industry. Therefore, against the backdrop that the country places strong emphasis on environmental protection and the development of the environmental industry, an integrated, large-scale and market-oriented development tendency will be the inevitable direction of development for the industry.

Business Review

The year of 2014 marks a meaningful milestone for the Group's development. With strong support from the shareholders, regulatory authorities and the parties concerned, the Group has successfully gained access to the international capital market. This marks as a historical step on the Group's road towards achieving its strategic goal and has laid an important foundation for a sustainable and healthy development in the future.

With the continuous economic growth in the PRC and the demand arising from the structural transformation of the economy, the environmental industry continued to maintain favourable momentum of growth. In 2014, the Group continued to steadily promote waste-to-energy business, continuously raised the management standard, strengthened the awareness of standardized management of various projects under operation, ensured the projects "have stable operation and meet the emission standards", efficiently drove the construction process of both work in progress and planned projects while making all endeavours to build quality project works. The Group also continued to strengthen research and development of technology, to expand the source of financing and to develop new projects, all of which would ensure the Group's sustainable development.

The Group's revenue increased in 2014 due to the combined effect of increase in revenue from waste-to-energy project construction services and revenue from waste-to-energy project operation services. As most of the construction projects in 2014 were progressed to the middle stage, more construction work was done in 2014 compared to that in 2013; thus revenue from waste-to-energy project construction services increased in 2014. At the same time, some operation projects were put into trial operation near the end of 2013, thus more revenue from waste-to-energy project operation services was generated in 2014. During the year, the Group's profit for the year decreased on a year-on-year basis as a result of the increase in administrative expenses, listing expenses, finance costs and income tax. For the year ended 31 December 2014 (the "**Reporting Period**"), the Group recorded a turnover of RMB1,226,310,000, representing an increase of 26% as compared to that of last year, and profit for the year amounted to RMB142,045,000, representing a decrease of 6% as compared to that of last year.

(1) Accelerated steps in IPO, successful public listing

In accordance with its general plan and schedule for listing formulated in the second half of 2013, as a leading enterprise in the waste-to-energy industry in the PRC, the Group was successfully listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 19 June 2014 (the "**Listing Date**") and gained access to the international capital market. Being the first enterprise that engages in the waste-to-energy business becoming listed on the Hong Kong Stock Exchange, the listing of the Company was well recognized by various investors. The international placing and Hong Kong public offering were both over-subscribed. After becoming listed on the Hong Kong Stock Exchange, the Sole Global Coordinator (as defined in the prospectus of the Company dated 9 June 2014) fully exercised the Over-Allotment Option (as defined in the prospectus of the Company dated 9 June 2014) and the issue of shares was completed on 3 July 2014. As of 3 July 2014, an aggregate of HK$1,190.25 million was raised from the listing. After deducting various share issuance costs, the net proceeds was HK$1,126 million, which further enhanced the Company's capital strength, expanded the market influence of the Company's brand name, and laid a sound foundation for the development of the Company.

As a new member of the capital market, the Company constantly enhances its learning after listing, standardizes corporate governance and internal management, intensifies information disclosure and maintains investor relationship, and is dedicated to build a good image in the capital market.

(2) Safe and steady operation of projects under operation, meeting environmental standard, treated an aggregate of 2.075 million tons municipal solid waste and realized 430 million kWh of on-grid electricity

In 2014, the Group carried out operation and management under the concept of "safe, environmental friendly, civilized and effective". By enhancing budget management, cost control, equipment management and operation analysis, and continuing to strengthen the awareness of standardized management of each operation project, fairly good results were achieved in the management of each project under operation. All seven projects put security and environmental protection as the first priority by adhering to the guideline of "security and environmental protection as top priority, mainly by prevention and comprehensive control" as evidenced by the fact that no safety incident had occurred and the environmental emission standard was met. The Group is committed to improving the economic efficiency and maintaining the growth of operating service income by increasing the electricity generated from waste per ton and reducing the electricity consumption in its own factories.

(3) Steady progress of project construction and the landfill work of Huizhou Project was completed and put into operation, while the commencement of incinerating plants in Anshun Project, Jixian Project, Jurong Project and Huizhou Project proceeds smoothly

In 2014, the Group continued to consolidate the experience and lessons learned from the preparation and construction process for the seven completed projects, enhanced public relations management, coordinated and rearranged the allocation of various resources, controlled the construction schedule, quality and safety, so that the preparation and construction of projects can proceed steadily. The construction progress of Anshun Project, Jurong Project and Jixian Project are ahead of schedule. Huizhou Project started the treatment of waste in December 2014. The main factory of the waste incinerating plant of Huizhou Project was under construction at the end of 2014.

(4) Outstanding achievements made in project financing activities and main business expansion, new business expansion made a breakthrough while technology research and development went smoothly

To ensure the sustainable development of the Group, the Group endeavours to expand various financing channels to enhance its capital strength. The Group had drawn down RMB250 million of loans from Asian Development Bank for the construction of Jixian Project, and had drawn down RMB60 million of loans from China Merchants Bank for landfill work of Huizhou Project. In respect of working capital loan, the Group was granted a RMB410 million working capital loan from China Merchants Bank and repaid RMB210 million to Huaneng Guicheng Trust. At the same time, the Group made a successful application to the Nanshan District Government of Shenzhen City for listing subsidy fund of RMB1.40 million.

With regard to project development, the market competition intensified in 2014, but plenty of good news were announced. On 8 July 2014, the Group signed a service concession contract for Longhui Project in Hunan with a waste treatment capacity of 700 tons per day; on 15 September 2014, the Group signed a service concession contract for Guangdong Shantou Chaoyang Project with a waste treatment capacity of 1,500 tons per day (Phase I bearing a capacity of 1,000 tons); on 18 November 2014, the Group signed a service concession contract for Guangxi Bobai Project with a waste treatment capacity of 1,500 tons per day (Phase I bearing a capacity of 700 tons). Meanwhile, under the strong support of Beijing State-Owned Assets Management Co., Ltd. ("**BSAM**"), the Group made a significant breakthrough in the Beijing market. On 29 December 2014, the Group won the bid for a concession project of an integrated waste treatment center in Miyun County, Beijing, China (the "**Miyun Project**").

With regard to new business development, the Group strengthened the team building within departments in 2014, and actively carried out studies on industry mergers and acquisitions. As for the mergers and acquisitions, with the assistance of the social business division of BSAM, we completed preliminary research, project approval and preliminary due diligence in respect of the acquisition of Shanghai Techspray Engineering Co., Ltd. and entered into a letter of intent on 15 November 2014. As of the date of this report, the merger and acquisition has been terminated. We also explored the sales of our self-developed grate incinerator to external parties. We have successfully won the bid of Guizhou Kaili Project and will start selling grate incinerator with tri-state driver and a waste heat boiler system.

With regard to technology research and development, the Group continued to introduce professional R&D talents in 2014, and completed three researches, namely, "the technique on the quantitative ratio of additives in the purifying system for the deacidification of flue gas from the incineration of municipal solid waste", "chemical dosing system for flue gas from the incineration of waste", "the technique on combining deacidification with dedusting for flue gas from the incineration of municipal solid waste". In respect of these researches, the Group applied for 4 utility patents and 4 invention patents. It also completed the research of "a device for collecting leachate drained from the waste storage tank" and applied for 1 utility patent and 1 invention patent in respect thereof.

(5) Keeping on strengthening internal management of the Group and further enhancing the enterprise vitality

In 2014, the Group continued to strengthen its internal management. Professional consultant team in Singapore was engaged as requested by Asian Development Bank to start an enhancement project for corporate governance and internal control system, which further improved and strengthened the internal management system and internal control system of the Group.

With regard to financial management in 2014, the Group continued to strengthen the structure of the financial management team, organized training on accounting knowledge of listed company, added professional financial staff with knowledge on international accounting standards, recruited or rearranged financial administrators for six project companies, cooperated with intermediary institutions to finish their due diligence and internal audit work in accordance with listing procedures, continued to strengthen financial accounting, budget management and fund supervision, and further enhanced the financial management process in accordance with the requirements of the internal control system.

With regard to procurement management during the year, the Group enhanced the structure of procurement team, and appointed new vice president and general manager of procurement department. At the same time, the Group also further standardized the bidding process and further enhanced the sample contract for bidding and procurement. The Group handled purchasing applications and contract approval through the OA system, which improved the effectiveness and retroactivity. We also expanded the site purchasing authority of our subsidiaries and further improved efficiency of procurement. The bid evaluation, accounting and business negotiation were all performed in strict compliance with the purchasing process and system, making sure that the purchasing process is fair, just and open, and that the purchasing activities are uncorrupted, efficient and normative.

With regard to human resources in 2014, the Group reinforced the structure of senior management team, with new appointments of a vice president, two directors and an assistant to president. The new director of human resources department made adjustment to the department and established a more professional human resources management team. The Group also researched on the establishment of long term incentive mechanism and continued to strengthen talent recruitment and introduction. We have employed 211 staffs and 122 fresh graduates, one of which is in the position of senior management and 11 of which are in positions of middle management. We strengthened on-the-job education and training for staff, members and arranged internal trainings for 1,167 staffs and external trainings for 202 staffs. The Group continuously carried out optimization of the performance appraisal system. Assessment and management methods for projects under construction have been re-discussed and formulated.

With regard to legal and internal audit in 2014, the Group continued to reinforce the standardized management of legal affairs, and 653 contracts/agreements were drafted, reviewed and modified by professional lawyers, and 168 pieces of internal legal opinions were issued; knowledge of laws as well as the common knowledge of contract drafting and auditing were promoted in the law promotion month; management of intellectual property rights has been reinforced, and 6 utility patents and 9 invention patents had been applied concerning R&D innovation and technical innovation of project operation. Besides, 7 utility patents and 1 invention patent had been authorized. In total, authorization on 3 invention patents and 13 utility patents had been granted to the Company, and it continuously increased the impact of famous brand and received RMB50,000 of trademark award from local government. In accordance with the annual internal audit plan, the internal audit of our subsidiaries in Wuhan, Taizhou and Pingyang as well as the audit in respect to the resignation of financial person-in-charge of the project companies in Yongjia and Zhangqiu were completed and the special examination on the internal control of Changzhou Company was conducted.

Business Outlook

Industry Prospect

As an important engine of the world economy, China has been positively driving the transformation of economic structure, while continuously maintaining its stable economic growth. The major strategy of developing low-carbon economy has been put forward by the Chinese government. Having been ranked first among the seven strategic emerging industries, energy-saving and environmental protection industry plays a vital role in the low carbon economy and is defined as pillar industry of the national economy. Policy support is given to the energy-saving and environmental protection industry in the areas of taxation, finance, industry and investment, lands, etc. In particular, in the blueprint of "Constructing Beautiful China" proposed by the 18th National Congress of the Communist Party of China, environmental protection industry has been elevated to an unprecedented level. Therefore, we believe that China will further strengthen the policy support and funding to environmental control. Moreover, along with the ever-increasing demand for environmental protection and new energy, a huge market opportunity and room for development will be brought to the environmental protection business of the Group.

It is expected that, in the next "13th Five-Year Plan", the Chinese government will not lessen its concern on well being issues, and the attention paid to energy-saving and environmental protection industry will continue to increase. In 2015, new environmental protection law and emission standards will be implemented in China, which represent the most stringent environmental supervision and law enforcement and will build good foundation for the long-term healthy development of the environmental protection industry with new vitality. The year of 2015 is the year that the "12th Five- Years Plan" closes, while the policy planning and layout of the "13th Five-Year Plan" begins. On 14 January 2015, "Opinions on Implementing Environmental Pollution Governance of the Third Party" was issued by the General Office of the State Council, which gives policy support to factories in environmental pollution control industry, including the improvement of fees and pricing policy, enhancement of the support of finance and tax, the innovation of financial service model and the development of environmental protection capital markets. This would mean that enterprises contributing high pollution will pay for the future cost of environmental protection rather than by the local government, solving the sales orders and cash flow problem of the environmental protection industry that are issues of concern.

Since the 18th National Congress and along with the promotion of urbanization, policies such as the promotion of "Constructing Beautiful China" will continuously boost the development of the environmental protection industry. The order of competition of the environmental protection market will continue to be regulated in the future. Thus, those listed environmental protection enterprises with core technology of independent intellectual property rights, tremendous experience in development and operation, regulated operations management and strong financial advantages would be bound to obtain more resources and develop rapidly through this regulated market operation.

Waste-to-energy industry is an important sub-industry of the energy-saving and environmental protection industry, and with its dual aureoles of environmental protection and new energy, it has attracted more attention. According to the plan regarding "Opinions on Accelerating the Development of Energy-Saving and Environmental Protection Industry" issued by the State Council on 11 August 2013, the annual value of production for energy-saving and environmental protection would be sustained at over 15%, and it is estimated that in 2015, the values of production for energy-saving, environmental protection and recycling of resources will reach RMB4.5 trillion and by that time, the energy-saving and environmental protection industry will have become the pillar industry of China. It has been specified in the "12th Five-Year Plan" that up to 2015, all the municipal solid waste of municipalities, provincial capitals, and municipalities with independent planning status will be treated by hazard-free methods and the hazard-free treatment rate of municipal solid waste will reach above 90%, and capacity of the treatment facilities of municipal solid waste in towns nationwide will represent over 35% of the total capacity for hazard-free treatment.

In addition, the progress of modern urbanization drives the setting up of waste treatment facilities in small and mid-sized cities, which is in line with the country's general policy. Modern urbanization and the establishment of modern villages are the main objectives of the nation's modernization process for the next decade. In such context, the government's dedication to improve the environment in small and mid-sized cities as well as modern villages will create an emerging market for services in the environmental protection industry, and waste treatment facilities will be extended to small and midsized cities. The broad market has brought about significant market opportunities, and the Group will leverage on corporate potential to capture opportunities in this rapidly developing industry, in order to grow steadily in terms of scale and operating efficiencies.

Prospect of the Company

Being one of the leading waste-to-energy companies in the PRC, the Group will build on its comprehensive competitive edges under the favourable national policy and continue to strive for excellence in construction, operation and management of every project. The Group will also ride on its core competitiveness in its research and development and constant innovation as well as its top management capabilities to enlarge and strengthen its waste-to-energy business so as to create greater contributions to the environmental protection industry in the PRC.

In addition, the Group will continue to expand into the domestic waste-to-energy market and consolidate its investment presence in the Yangtze River Delta region, Pearl River Delta region and Bohai region, and continue to expand its footprint in the PRC based on its development strategy. We will supervise closely the construction process of the projects under construction, ensuring that those projects will be completed in 2015 as scheduled. By 2015, the Group expected that 10 waste-to-energy projects, located in Changzhou, Haining, Yongjia, Pingyang, Wuhan, Taizhou, Rusan, Anshun, Jurong and Jixian, and landfill work of Huizhou Project would be in production and operation. The Group would continue to operate under the concept of "safe, environmental friendly, civilized and effective", strengthening the exchange of experience and knowledge among projects and enhancing cost control and operational analysis so as to operate safely and effectively for each project.

With the experience accumulated over the years, the Group will drive forward the commencement of each new project under construction. We will make efforts for the preliminary preparation for each project so as to increase the Group's earnings. That is, the Group will strive to complete Anshun Project, Jurong Project and Jixian Project, and put them into commercial production as soon as possible, and strive to realize the commencement of more than two new projects.

The Group will be dedicated to the further reinforcement of project financing, market development, new business development, and the financing of technology research and development. In terms of market development, the Group will continue to learn from the successful experience, analyze and research on the national macro policy and related industrial policies, tap on the good opportunity of the fast developing environmental protection industry, focus on local-level and county-level cities in southeast coastal areas and local-level cities in central and western areas, take an active part in the public bidding of domestic project, and continue to explore potential projects.

In terms of technology research and development, the Group will continue to provide installation guidance and technical services for projects under construction, and complete the supervision, technical guidance and technical services for specific externally sold grate incinerator. It will continue to optimize and improve the design of multi-drive grate, and further increase the efficiency of waste treatment. It will also strengthen the research and development of new technology and new process in flue gas treatment industry, and apply for independent intellectual property rights.

The Group believes that there will be more market opportunities and challenges in 2015. The Group will firmly grasp the pulse of the market, seize the best opportunity, and attach great importance to risk control, accelerate the development of the Group, and strive to create maximum value for shareholders.

Looking ahead, the environmental protection industry will continue to benefit from the strong support of national policy. As a pioneer in the field of waste treatment, the Group is committed to upholding its core principle of "generating social benefits is the primary goal while economic efficiency is the basis". The Group is dedicated to provide professional, high-quality and efficient municipal solid waste treatment services for the government, provide systematic solutions in order to reduce the toxicity and volume of municipal solid waste and transform it into a useful resource, improve environmental standards in the cities, make greater contributions to the environmental control and fulfil its commitment and responsibility to the community in order to further contribute to social development, economic growth and environmental control.

Major risk factors and measures adopted

1. Financing risk. The Group typically finances its BOT projects through a combination of bank borrowings and internal resources. However, the ability to obtain external funding depends on numerous factors, including but not limited to general economic and capital market conditions, general conditions in the WTE industry, economic conditions in the geographic area of proposed projects of the Group, government policies for the WTE industry, the availability of credit from banks and other lenders and the performance of operational WTE projects.

   Before any formal contract is entered into for the Project, the Group conducts detailed feasibility studies in respect of the Project, thoroughly assesses and analyzes financing risks, designs a reasonable financing and funding structure, and establishes a feasible financing plan after discussion with and review by advisers. The Group also focuses on establishing a long-term good relation with banks, negotiates with multiple banks with strong capability, high efficiency and fast approval process, and requires financing banks to grant an overall comprehensive facility for the Project so as to lock the financing risks.

2. Risks relating to construction delays and cost overruns. The construction of a WTE plant, including its ancillary facilities, may be adversely affected by many factors which are commonly associated with the construction of infrastructure projects and which may be beyond the Group's control, including (but not limited to) public opposition, delays in receiving requisite approvals, licenses or permits shortages of equipment, materials or labor, work stoppages and labor disputes, etc. Any such factors could give rise to delays or cost overruns.

   The Group focuses on establishing a good relation with government authorities in relation to the Project and ensures that the Project complies with the contract in respect of the construction schedule, quality, safety and public image. At the same time, it requests and urges the government to complete all legal formalities required for the Project, including: project approval, feasibility study report and its approval, preliminary design and preliminary estimate of project and their approval, environment impact assessment, land formalities, planning permit, and construction drawings. In addition, the Group requires the project company and construction contractor to treat the construction of the Project as a priority, by allocating more personnel and equipment to the Project, assigning an outstanding project manager, and establishing a capable project management team for the Project. The Group also ensures that the concession agreement expressly provide that the government shall compensate the investors of the Project accordingly if the construction of the Project is suspended or delayed, or has cost overrun due to the reasons attributable to the government.

3. Risks relating to project support from suppliers and third parties. The Group engages service providers and other third parties to construct WTE plants and provide auxiliary services such as waste water treatment for WTE plants. However, as there are limited numbers of qualified third party service providers available, they may not always be readily available when the Group requires support. In addition, the Group may not be able to find a replacement at acceptable cost, or at all, in the case of any failure on the part of a third party service provider to perform its contractual obligations in a satisfactory manner, which may result in delay and increased costs.

   The Group establishes a database of supplier information, collects and compiles supplier information as required for the Project in advance, selects well-established and reputable suppliers as the primary suppliers for the Project, and identifies multiple substitute suppliers to form a diversified supplier base, so as to mitigate the supply risk. The Group also establishes a sound supplier information management system and introduces third parties to assist with the search of supplier information, so as to reduce the influence of information uncertainty on the supplier selection process.

4. Risks relating to waste supply. The turnover of each of WTE plants of the Group is dependent on the amount of municipal solid waste that it processes and electricity it generates. The amount of electricity which the plant can generate depends on the quantity and calorific value of the municipal solid waste it processes. Municipal solid waste with higher calorific values will produce more electricity when incinerated. In the event there is a decrease in the quantity and/or the calorific values of the municipal solid waste the Group processes, the amount of electricity generated may decrease, thereby reducing the turnover and efficiency of our WTE plant.

   Prior to the operation of the Project, the Group conducts a thorough assessment and analysis of the quantity and calorific value characteristics of the waste to be supplied by the government, so that a reasonable minimum quantity and quality of waste will be provided in the concession agreement. In the event of insufficient waste supply, whether in terms of waste quantity or calorific value, the Group would actively seek domestic waste and other non-polluting fuel in and around the waste supply area as supplementary source of fuel. The Group also ensures that the concession agreement provide that the government shall be required to reimburse to the investors the additional costs of materials incurred by the investor to cover the shortfall if the quantity and calorific value of the waste supplied are less than the minimum value.

Financial Review

Financial Position and Profit for the Year

For the year ended 31 December 2014, the Group achieved a turnover of RMB1,226.31 million and profit for the year of RMB142.05 million. As at 31 December 2014, the total assets and the total liabilities of the Group amounted to RMB4,462.22 million and RMB2,284.83 million respectively; the total equity amounted to RMB2,177.39 million; the gearing ratio (calculated as total liabilities over total assets) was 51.2%, and the net asset value per share attributable to equity shareholders of the Company was RMB2.08.

Revenue Analysis

During the reporting period, the Group achieved a turnover of RMB1,226.31 million (2013: RMB975.19 million), representing an increase of 26% as compared to 2013. The increase was mainly due to the Group's continued expansion of its scale of operation and construction in 2014, leading to an increase in construction income, operation income and finance income as compared to 2013. Of which, revenue from waste-to-energy project construction services amounted to RMB817.61 million (2013: RMB714.94 million), representing an increase of 14% as compared to 2013. The increase was mainly due to the fact that the Group introduced three projects under construction this year — Anshun Project, Jurong Project and Jixian Project, and the landfill work of Huizhou Project was completed, leading to an increase in project completion amount as compared to 2013 and thus an increase in construction income. Revenue from waste-to-energy project operation services amounted to RMB312.09 million (2013: RMB201.1 million), representing an increase of 55% as compared to 2013. The increase was mainly due to the fact that Wuhan Project entered into trial operation in September 2013, with Taizhou Project and Rusan Project also entering into trial operation in December 2013, leading to an increase in the Group's daily treatment capacity and thus an increase in operation income as compared to 2013. Finance income amounted to RMB96.61 million (2013: RMB57.68 million), representing an increase of 68% as compared to 2013. The increase was mainly because finance income represents the income generated from financial assets which are measured at amortized cost using an effective interest rate in respect of guaranteed waste treatment fee that the Group receives from the relevant government authority, and since the Group introduced Jurong Project, Anshun Project and Tianjin Jixian Project within this reporting period, the finance income would be higher as compared to last year. Technical consulting income amounted to RMB0 (2013: RMB1.47 million), representing a decrease of 100% as compared to 2013. The decrease was mainly due to the fact that the Company did not provide technical services in 2014 and there was no relevant revenue recognised.

Other Revenue

During the reporting period, other revenue of the Group amounted to RMB27.58 million (2013: RMB24.87 million). The increase was mainly due to an increase in interest income. This year, the Company made planned deposit arrangements for the Group's idle funds and funds raised but unused. Interest income from bank deposits increased as compared to 2013.

Gross Profit and Gross Profit Margin

During the reporting period, the gross profit of the Group increased by 31% to RMB377.15 million (2013: RMB287.16 million), and the consolidated gross profit margin was 31% (2013: 29%).

Administrative Expenses and Listing Expenses

In 2014, the administrative expenses and listing expenses of the Group amounted to approximately RMB96.74 million (2013: RMB56.34 million), accounting for approximately 7.9% (2013: 5.8%) of the turnover of the Group. The increase in the administrative expenses and listing expenses over the previous year was mainly attributable to the 3 additional operation projects of the Group by the end of 2013, the significant increase of administrative expenses and the impact of listing expenses for the initial public offering and to the Company's continuing expansion of its scale, as compared with the previous year, resulting in the increase in various expenses.

Finance Costs

For the year ended 31 December 2014, the finance costs for the Group amounted to RMB121.95 million, representing an increase of approximately RMB47.66 million over the previous year, which was mainly attributable to the following reasons: (1) the three projects in Wuhan, Taizhou and Rushan commenced operation successively in the second half of 2013 and accordingly, their interests on loans could not be capitalized in this year and had to be expensed in the profit and loss account; (2) the increase in the finance costs as a result of the increase in the average loan balance in 2014.

Profit before Taxation

During the reporting period, the profit before taxation of the Group amounted to RMB193.84 million, representing an increase of RMB8.49 million, which was mainly due to the Group's expansion in scale in 2014, leading to an increase in operation income and construction income as compared to last year.

Income Tax

In 2014, the income tax expenses of the Group amounted to approximately RMB51.79 million (2013: RMB34.44 million), accounting for approximately 27% (2013: 19%) of the profit before tax of the Group. Income tax expenses increased during the year, mainly due to (i) the reconciling items between tax expense and accounting profit at applicable tax rates and (ii) more subsidiaries applied 25% as income tax rate in 2014.

Profit Attributable to Equity Shareholders of the Company

During the reporting period, the profit attributable to equity shareholders of the Group was RMB142.01 million (2013: RMB149.7 million). The decrease was mainly due to the increase in listing expenses, administrative expenses, financial costs and income tax.

Financial Resources and Liquidity

The Group adopts the prudence principle in cash and financial management to ensure proper risk control and reduction in costs of funds. It finances its operations primarily from cash flow generated internally and loans from principal banks. As of 31 December 2014, the Group had a cash balance of approximately RMB762.36 million, representing an increase of RMB260.19 million as compared to RMB502.17 million at the end of 2013. The increase in cash balance was mainly attributable to the funds raised from listing and borrowings from banks. Currently, the Group's cash is denominated in either Renminbi or Hong Kong dollars.

As of 31 December 2014, the Group's gearing ratio decreased from 64% in 2013 to 51%. The decrease was mainly because the Company was listed on the Main Board of the Hong Kong Stock Exchange in June 2014, and though net assets increased by RMB965.96 million as compared to 2013, total liabilities only increased by RMB145.76 million as compared to 2013, leading to a decrease in the gearing ratio.

Capital management

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

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

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

The Group's exposure to credit, liquidity, interest rate and currency risks and the financial risk management policies and practices used by the Group to manage these risks are discussed in note 25 to the financial statements.

Loans and Borrowings and Pledge of Assets

As of 31 December 2014, the Group has total outstanding borrowings of approximately RMB1,591.37 million, representing a decrease of RMB118.08 million as compared to RMB1,709.45 million at the end of 2013. The borrowings include secured loans of RMB535.16 million and unsecured loans of RMB1,056.21 million. All of the Group's borrowings are denominated in Renminbi. Of the Group's borrowings of RMB1,591.37 million, RMB1,086.37 million are at floating rates. As of 31 December 2014, the Group had banking facilities in an amount of RMB2,204.26 million, of which RMB607.42 million has not been utilized. The credit facilities have terms ranging from 1 year to 12 years. The Group currently does not have any interest rate hedging policies. However, the management team monitors the Group's interest rate risks and would consider other necessary actions when significant interest rate risks are anticipated.

Certain receivables and operating rights in connection with the Group's service concession arrangements (including intangible assets, gross amounts due from customers for contract work and trade and other receivables) and the Company's investment in Rushan Dynagreen Renewable Energy Co., Ltd. were pledged under the credit facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB1,938.54 million as of 31 December 2014.

Contingent Liabilities

The Company has issued financial guarantees to banks in respect of the banking credit granted to certain subsidiaries. The directors of the Company (the "**Directors**") do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as of 31 December 2014 and 31 December 2013 under the guarantees is the facility drawn down by the subsidiaries of RMB620.54 million, and RMB881.62 million, respectively.

Commitments

As of 31 December 2014 and 31 December 2013, the Group's outstanding purchase commitments in relation to construction contracts which have not been provided for in the annual financial report of the Group were RMB515.28 million and RMB132.53 million respectively.

As of 31 December 2014 and 31 December 2013, the Group's outstanding capital commitments in relation to the acquisition of Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司) from equity shareholders of the Company but has not been provided for in the consolidated financial statements was nil and RMB57.18 million respectively.

As of 31 December 2014 and 31 December 2013, the Group's and the Company's outstanding commitments in relation to the investment in Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd., an associate, have not been provided for in the annual financial statements of the Group and were both RMB14 million.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**3,511**	430
More than 1 year but within 5 years	**1,004**	—
	4,515	430

Foreign Exchange Risks

The functional currency of the Group is Renminbi while a portion of funds raised by the Group from the initial public offering is still in the form of bank deposits denominated in Hong Kong dollars. Therefore, it may be subject to the risks of exchange rate fluctuations of the Renminbi and the Hong Kong dollars. Apart from the above, most of the assets and transactions of the Group are denominated in Renminbi, and the Group mainly settles its operating expenses in the PRC with income generated in Renminbi, thus the Group is not exposed to any significant foreign exchange risks. The Group currently has no hedging policy with respect to the foreign exchange risks.

Significant Investments, Acquisitions and Disposals

From the date of listing on the Hong Kong Stock Exchange up to 31 December 2014, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies.

Details of Future Material Investment and Capital Assets Planning

The investment or projects of the Group in the coming year are in the ordinary and usual course of business of the Company and had been stated in the prospectus dated 9 June 2014 and the announcements dated 8 July 2014, 4 September 2014, 18 November 2014 and 31 December 2014. Such investment or projects will be financed by the internal funds of the Group, bank facilities as well as the proceeds raised from listing.

Human Resources and Remuneration Policies

As at 31 December 2014, the Group had a total of 897 staffs.

The Group also uses a fixed set of criteria in staff evaluation. The Group continuously seeks to improve its staff remuneration and benefits programs. In addition to statutory contributions, the Group also provides voluntary benefits to employees. These benefits include supplemental medical insurance plans and annual bonus for existing employees.

The Group also provides systematic training. By facilitating self-study, after-work training, on-the-job training and off-the-job training, the Group educates its employees about the history, culture, vision, beliefs and basic rules of the Company, as well as its systems and operations management, environmental and safety issues, waste-to-energy industry know-how, relevant laws and regulations as well as the Group's core technologies and production procedures. In particular, the Group recruits recent graduates with high levels of education from technical schools, secondary technical schools, colleges and universities and trains them through trainee monitoring programs so as to nurture a pool of back-up personnel.

Final Dividend

The Board does not recommend the payment of final dividend for 2014.

Use of Proceeds

The Company raised a total of HK$1,190.25 million of proceeds after the completion of the Global Offering (as defined in the prospectus of the Company dated 9 June 2014) of H Shares on 19 June 2014 and the completion of the Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014) on 3 July 2014. The net proceeds amounted to HK$1,126 million after deducting various share issuance costs.

As of the date of this annual report, HK$896.90 million has been utilized for the purpose stated on the ordinary resolution in relation to change of use of proceeds passed on the second extraordinary general meeting in 2014 held on 7 November 2014.

Directors, Supervisors and Senior Management

Directors

Non-executive Directors

Mr. Zhi Jun (直軍), aged 52, is the Chairman of the Board and became a non-executive Director of our Company on 11 April 2012. Mr. Zhi served as a financial officer of Beijing Public Transport Company (北京市公共交通總公司) from August 1985 to December 1987, and served as the deputy financial director of that company from December 1987 to May 1992. He served as the Finance Department Chief (deputy level) of Beijing Tramways (北京市電車公司) from May 1992 to April 1993, and served as the deputy financial director of Beijing Public Transport Company (北京市公共交通總公司) from April 1993 to August 1994, then served as the financial director from August to October 1994, and served as the chief accountant of that company from October 1994 to September 2004. Between September 2004 and November 2006, Mr. Zhi served as the director and chief accountant of Beijing Public Transport Holdings, Ltd. (北京市公共交通控股(集團)有限公司), and he served as the director, deputy general manager, chief accountant of that company from November 2006 to March 2010. Since February 2011, Mr. Zhi has served as the president of Beijing State-owned Assets Management Co., Ltd. ("**BSAM**"). He is currently a chairman of Beijing Science Park Development (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司). Mr. Zhi graduated from Beijing Economics College (北京經濟學院) majoring in Finance and Accounting in August 1985. Mr. Zhi qualified as a senior accountant, the certificate of which was issued by the Evaluation Committee of Senior Professional Technology Position (北京市高級專業技術職務評審委員會), in November 1996. Mr. Zhi is the Chairman of the Company's Strategy Committee.

Ms. Sun Jing (孫婧), aged 41, became a non-executive Director of our Company on 11 April 2012. Ms. Sun served as an officer at China International Culture Exchange Centre (中國國際文化交流中心) from August 1996 to August 1999. She then served at Sinotrust Business Risk Management LLC (新華信商業風險管理有限責任公司) from June 2000 to March 2001. Between March 2001 and November 2002, Ms. Sun served at Beijing Centergate Technologies (Holding) Co., Ltd. (北京中關村科技發展(控股)股份有限公司). Ms. Sun served as a project manager of Management of Financial Assets Department of BSAM from December 2002 to December 2005, and served as the Deputy General Manager of the same department of that company from January 2006 to April 2008, then served as the General Manager of the same department of that company from April 2008 to May 2011. Between June 2011 and October 2012, Ms. Sun was the general manager of the Infrastructure Investment Department of BSAM, and has served as the general director of the Department of Assets Management of BSAM since November 2012. Ms. Sun is also currently a chairman of board of directors of Beijing State-owned Assets Financial Leasing Co., Ltd. (北京國資融資租賃股份有限公司), a chairman of Beijing SMEs Credits Re-guarantee Co., Ltd. (北京中小企業信用再擔保有限公司), a chairman of Beijing Venture Capital, a director of Beijing State-owned Assets Management (Hong Kong) Company Limited ("**BSAM (HK)**") and a director of Beijing Airlines Company Limited (北京航空有限責任公司). Ms. Sun graduated from the Capital University of Economics and Business (首都經濟貿易大學) with a Bachelor's degree in Economics in July 1996 and obtained her Master of Business Administration degree from the School of Economics and Management of Tsinghua University (清華大學) in June 2001. Ms. Sun qualified as an economist, the certificate of which was issued by the Evaluation Committee of Intermediate Professional Technology Position (北京市中級專業技術評審委員會), in November 2003. Ms. Sun is a member of the Remuneration and Appraisal Committee and Strategy Committee of the Company.

Mr. Liu Shuguang (劉曙光), aged 46, became a non-executive Director of our Company on 11 April 2012. Mr. Liu served as a director and the vice-president of Beijing Taikeping Electrical Appliances Limited Company (北京泰克平電子儀器有限公司) between July 1991 and June 1992. Mr. Liu served as a director and the vice-president of Beijing Huatai Industrial Company (北京華泰實業總公司) from June 1992 to April 1994. Since April 1994, Mr. Liu has served as the legal representative and president of Beijing Jupeng Investment Company (北京巨鵬投資公司). Between October 2003 and December 2011, Mr. Liu also served as the deputy chairman of the Board of Capital Securities Co., Ltd. (首創證券有限責任公司). From May 2011 to April 2012, Mr. Liu served as a Director of Dynagreen Environmental Engineering Co., Ltd. Mr. Liu obtained his Executive Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in September 2007. Mr. Liu is a member of the Strategy Committee of the Company.

Mr. Ma Xiaopeng (馬曉鵬), aged 36, became a non-executive Director of our Company on 7 November 2014. He is currently the deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd (北京市工業發展投資管理有限公司). Between July 2005 and June 2010, Mr. Ma served as the project manager at Beijing Municipal Engineering Consulting Corporation (北京市工程諮詢公司). From June 2010 to June 2013, Mr. Ma successively served as the project manager and the senior project manager at the infrastructure investment department of BSAM. Since June 2013, Mr. Ma served as the deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd. (北京市工業發展投資管理有限公司). Mr. Ma graduated from Tsinghua University with an Engineering Bachelor's degree majoring in Hydraulic Engineering in July 2002. Mr. Ma furthered his studies in Management Science and Engineering at Tsinghua University from September 2002 and received a Master's degree in Management in July 2005. Mr. Ma is a member of the Audit Committee and Nomination Committee of the Company.

Executive Directors

Mr. Qiao Dewei (喬德衛), aged 48, became an executive Director on 11 April 2012 and is the General Manager of our Company. Mr. Qiao worked as a clerk at the Central Enterprises Management Department of the Bureau of Finance in Hubei Province (湖北省財政廳中央企業管理處) from July 1988 to July 1994, and worked as a clerk at the deputy director level from August 1994 to December 1995. He worked as the deputy manager of the Finance Department at Wuhan International Trust and Investment Company (武漢國際信託投資公司) from January 1996 to December 1997, and worked as a manager of the Finance Department at that company from January 1998 to February 2001. Mr. Qiao worked as the president assistant of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) from March 2001 to September 2005. Between September 2005 and August 2008, Mr. Qiao served as the chief financial officer of our Company. Between September 2008 and April 2009, Mr. Qiao worked as the acting general manager of our Company, and has worked as the General Manager of our Company since April 2009. Mr. Qiao was a Director of our Company from September 2005 to May 2011, and has also been a Director of our Company since April 2012. Mr. Qiao graduated from Zhongnan University of Economics and Law (中南財經大學) with a Bachelor's degree in Economics in July 1988 and obtained his Master's degree in Law from Hubei University (湖北大學) in June 1999. Between May 2005 and August 2006, Mr. Qiao further studied a project learning postgraduate course in Financial Management at Tsinghua University, and obtained his Master of Business Administration degree from Peking University in July 2013. Mr. Qiao qualified as an accountant, the certificate of which is issued by Profession Administration Department of Ministry of Finance (財政部專業主管部門), in November 1993. Mr. Qiao is a member of the Strategy Committee. Mr. Qiao also has indirect shareholding interest in our Company through Jingxiu Investment.

Mr. Hu Shengyong (胡聲泳), aged 45, became an executive Director on 7 November 2014 and is the Chief Financial Officer of the Company. Mr. Hu worked at the finance department of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) ("**Zhengxin Company**") from August 1996 to November 2000. Under the delegation of Zhengxin Company, he served as the chief accountant at Wuhan Unity Laser Co., Ltd. (武漢團結鐳射股份有限公司) from November 2000 to May 2001 and served as director of the general office of the chief financial officer and a manager of Department of Auditors of Zhengxin Company from May 2001 to March 2004. Mr. Hu served as the president assistant as well as the general manager of the Audit Department of Wuhan Securities (武漢證券公司) from April 2004 to September 2005, and served as the general manager of the Central China Region of Sunrise Environmental Protection Group (晨興環保集團公司華中區) from September 2005 to August 2008. Between August 2008 and January 2010, Mr. Hu served as the president assistant of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). From January 2010 to April 2012, Mr. Hu served as the Chief Financial Officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). Since April 2012, Mr. Hu has served as the Chief Financial Officer of the Company. Mr. Hu was the Secretary of the Board from April 2012 to December 2013. Mr. Hu graduated from China University of Geosciences (中國地質大學) with an Engineering Bachelor's degree majoring in Economic Management Engineering in June 1991. Mr. Hu qualified as a senior accountant, the certificate of which was issued by Senior Evaluation Committee of Accounting Profession of Hubei Province (湖北省會計專業高級評委會) in March 2003. Mr. Hu concurrently serves as the chairman of the board of directors of Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) and Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司), which are the subsidiaries of the Company.

Independent non-executive Directors

Mr. Lai Desheng (賴德勝), aged 50, became an independent non-executive Director of the Company on 11 April 2012. Mr. Lai worked as a teaching assistant at the Department of Economics at Beijing Normal University (北京師範大學) since July 1991 and was promoted to lecturer of Department of Economics in July 1993. Mr. Lai was promoted to associate professor of the College of Economics in July 1996 and to professor of Faculty of Economics and Business Administration in July 1999, and has been teaching as a professor since then. Mr. Lai served as the Head of the Social Sciences Department at Beijing Normal University from March 2001 to November 2003. Mr. Lai served as the president and chairman of the board of Beijing Normal University Publishing House (北京師範大學出版社) from July 2003 to July 2007. Since November 2008, Mr. Lai has served as the Dean of the Faculty of Economics and Business Administration at Beijing Normal University. Mr. Lai obtained his Bachelor's degree and Master's degree in Economics from Beijing Normal University in July 1988 and July 1991, respectively. He then obtained his Doctoral degree in Economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in July 1997. Between September 1999 and February 2000, Mr. Lai visited the University of Gothenburg (哥德堡大學) in Sweden as a senior visiting scholar, and visited Universitat Autónoma de Barcelona (巴賽隆納自治大學) in Spain as a visiting fellow from March to August 2000. Mr. Lai is the chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee and Strategy Committee of the Company.

Ms. Chen Xin (陳鑫), aged 39, became an independent non-executive Director of our Company on 11 April 2012. Ms. Chen was a post-doctorate in Law at the Civil Law Office of the Institute of Law of Chinese Academy of Social Sciences (中國社會科學院) from October 2004 to July 2007 and was a deputy researcher from November 2006 to July 2007, and was a post-doctorate in Law at the Faculty of Law of University of Salzburg (薩爾茨堡大學) in Austria from August 2007 to February 2008. Since March 2008, Ms. Chen has been an associate professor as well as a supervisor for postgraduate students at the Faculty of Law of the China Youth University for Political Sciences (中國青年政治學院), and the director of the Office of Civil and Commercial Law since September 2010. Ms. Chen graduated from the East China University of Political Science and Law (華東政法學院) in Shanghai with a Bachelor's degree in Law in July 1998. She then obtained her Master's degree in Criminal Law from the Law School of Peking University (北京大學) in June 2001 and obtained her Doctoral degree in Civil and Commercial Law from the Law School of Peking University in June 2004. Ms. Chen is the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee of the Company.

Mr. Kwan Kai Cheong (關啟昌), aged 65, became an independent non-executive Director of our Company on 22 January 2014. Mr. Kwan joined Merrill Lynch & Co in 1982 as financial controller in Hong Kong. He was named chief financial officer for the Asia Pacific Region in 1983 and in 1987 he assumed additional responsibilities as Asia Pacific regional director for finance & administration. Mr. Kwan was named chief operating officer for the Asia Pacific Region in 1990 and between January 1992 and February 1993, he was further named the president of the Asia Pacific Region. Mr. Kwan was an executive director of Pacific Concord Holding Limited ("**PCH**") from March 1993 to 1999. Mr. Kwan was the joint managing director of PCH from 1999 until 23 October 2003. Mr. Kwan has been re-designated as a non-executive director of PCH since October 2003. Mr. Kwan became the president of the business consulting company Morrison & Company Limited since January 2003. Mr. Kwan held directorships in listed companies Hutchison Telecommunications International Limited (Stock Code 2332, delisted in 2010) between August 2004 and May 2010 and Hutchison Harbour Ring Limited (Stock Code 715) between September 2004 and December 2014, respectively. Mr. Kwan serves as an independent non-executive director of Sunlight Real Estate Investment (Stock Code 435), Win Hanverky Holdings Limited (Stock Code 3322), Greenland Hong Kong Holdings Limited (Stock Code 337), United Photovoltaics Group Limited (Stock Code 686) and HK Electric Investments Limited (Stock Code 2638) as listed on the Hong Kong Stock Exchange since February 2006, April 2006, September 2006, April 2011 and January 2015, respectively. Mr. Kwan has been serving as an independent non-executive director of Galaxy Resources Limited (Stock Code GXY), a company listed on the Australian Stock Exchange since October 2010. Since February 2007, Mr. Kwan has been serving as non-executive director of China Properties Group Limited (Stock Code 1838). Mr. Kwan graduated from the National University of Singapore (formerly known as the University of Singapore) in August 1973, with a bachelor's degree in Accounting (with honours) and completed the Executive Program at Stanford University in 1992. Mr. Kwan became an associate of the Institute of Chartered Accountants in Australia and a fellow of Hong Kong Institute of Directors since October 1979 and March 2005 respectively. Mr. Kwan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 1982 and became a fellow of the Institute since July 2009. In 1997, while being an executive director of Pacific Concord Holding Limited, Mr. Kwan was appointed as a director of Yaohan International Holdings Limited ("**Yaohan**") to represent the 19% equity interests of Pacific Concord Holding Limited in Yaohan but without any involvement in Yaohan's day-to-day management. Yaohan was incorporated in Bermuda and its principal activities were investment holding and the provision of management services to its group companies. Yaohan was formally wound up by order of the court in Hong Kong on 26 February 1999. Mr. Kwan has confirmed to us that there was no wrongful act on his part leading to the liquidation of Yaohan and that, as far as Mr. Kwan is aware, no actual or potential claim has been or will be made against him as a result of such liquidation. Mr. Kwan is the chairman of the Audit Committee and a member of the Nomination Committee of the Company.

* The term of office of the above Directors expires on 10 April 2015, but according to the relevant provisions of the Articles of Association of the Company, they will continue to perform their duties until the re-appointment of certain existing Directors and the appointment of a new Director are approved at the AGM (as defined below). For details, please refer to the AGM circular to be published by the Company.

Supervisory Committee

Mr. Luo Zhaoguo (羅照國), aged 37, is the chairman of the Supervisory Committee of the Company and became a Supervisor of our Company on 19 June 2013. Mr. Luo worked as an accountant of the Finance Department and director assistant of Beijing Metallurgical Equipment Research and Design Institute (北京冶金設備研究設計總院) of China Metallurgical Group Corporation (中冶集團) from August 2000 to August 2007 and from August 2007 to October 2008 respectively. From November 2008 to July 2013, Mr. Luo has served as the funds manager of the Department of Finance Planning of BSAM. Since July 2003, Mr. Luo has served as the deputy general manager of the Department of Finance Planning of BSAM. Mr. Luo graduated from the Management School of the University of Science and Technology Beijing (北京科技大學) with a Bachelor's degree majoring in Accounting in July 2000. Mr. Luo obtained his Master's degree in Management from Capital University of Economics and Business (首都經濟貿易大學) in July 2009.

Mr. Liu Jinsong (劉勁松), aged 45, became a Supervisor of our Company on 18 December 2013. Mr. Liu worked as an engineer at the Beijing Hope Computer Company (北京希望電腦公司) under the Chinese Academy of Science (中國科學院) from July 1992 to 1993. Mr. Liu established Orient Legend Maker Software Development Limited (東方龍馬軟件發展有限公司) and served successively as an executive director, the general manager and the chairman of the board of that company from July 1994 to December 2012. Mr. Liu has been serving as the chairman of the board of Poly Communications Ltd. (保利通信有限公司) from March 2006 till now. Mr. Liu has also been serving as the Chairman of the board of Poly Longma Asset Management Co., Ltd. (保利龍馬資產管理有限公司) since May 2010. Mr. Liu was a committee member of the China Software Industry Association from March 2002 to March 2006. Mr. Liu graduated from the Department of Computer Technology (計算機技術系) of College of the Computer Science (計算機學院) of Beijing University of Technology (北京工業大學) with a Bachelor's degree in Engineering in July 1992, and obtained his Master of Business Administration degree from the City University of Macau (澳門城市大學), formerly named as "Asia (Macau) International Open University (亞洲(澳門)國際公開大學)", in November 2005.

Ms. Hu Fang (胡芳), aged 29, became the Employee Representative Supervisor of the Company on 14 August 2014. Ms. Hu has served as the securities affairs officer (證券事務專員) of the board of directors of the Company (the "**Board**") since July 2014 and had served as the environment and society affairs officer (環境與社會事務專員) of the Company from April 2013 to July 2014. From June 2008 to October 2009, she taught at The University for Science & Technology, Beijing. From October 2009 to December 2012, Ms. Hu Fang was in the United States for further studies. In June 2008, Ms. Hu Fang graduated from Xingtai University in Hebei, majoring in English.

* The term of office of the above Supervisors expires on 10 April 2015, but according to the relevant provisions of the Articles of Association of the Company, they will continue to perform their duties until the re-appointment of Mr. Luo Zhaoguo and Mr. Liu Jinsong is approved at the AGM. For details, please refer to the AGM circular to be published by the Company.

Senior Management

Mr. Qiao Dewei (喬德衛), is the general manager of the Company. Please refer to the sub-section headed "Executive Directors" for biographical details of Mr. Qiao.

Mr. Hu Shengyong (胡聲泳), is the Chief Financial Officer of the Company. Please refer to the sub-section headed "Executive Directors" for biographical details of Mr. Hu.

Mr. Cheng Yan (成雁), aged 50, is a Deputy General Manager of our Company. Between August 1990 and June 1996, Mr. Cheng served as the deputy general manager and chief marketing officer at Shenzhen Haiwang Company (深圳海王藥業有限公司), and served as a director and deputy general manager of Science Expert Industrial Co., Ltd. (深圳市科爾通實業有限公司) from October 1996 to January 2000. Between April 2000 and April 2012, Mr. Cheng served as a Deputy General Manager and Chief Investment Officer of our Company from April 2000 to January 2010 and from January 2010 to April 2012 respectively, and has served as a Deputy General Manager of our Company since April 2012. Mr. Cheng graduated from Chang'an University (長安大學) (formerly named as Xi'an Highway Institute) (西安公路學院) with a Bachelor's degree in Engineering in July 1985 and obtained his Executive Master of Business Administration degree from Peking University (北京大學) in January 2006.

Mr. Huang Jianzhong (黃建中), aged 48, is a Deputy General Manager of our Company. Between June 1989 and October 1990, Mr. Huang served as a director of the General Office of Shenzhen China Travel Service Home Appliances Unit (深圳市中旅家電總匯辦公室). Mr. Huang worked at the Shenzhen China Travel Service (深圳市中國旅行社) from October 1990 to December 1991. Between December 1991 and August 1993, Mr. Huang served as a director of the General Office of Shenzhen China Travel Services Automobile Transportation Company (深圳市中旅汽車運輸公司) and served as the assistant to general manager of Transportation Department at Shenzhen China Travel Services Eastern International Travelling Development Company (深圳市中旅東部國際旅遊開發有限公司) from August 1993 to May 1994. Mr. Huang served as the Head of Credit-lending Section at Shenzhen Commercial Bank, Longgang Sub-branch (深圳市商業銀行龍崗支行) from May 1994 to April 1998 and served as the director of Marketing Department of Shenzhen Commercial Bank, Zhenhua Sub-branch (深圳市商業銀行振華支行) from April to August 1998. Mr. Huang served as a deputy general manager and chief financial officer of Shenzhen Dow's Waste-to-Energy Tech Development Co., Ltd (深圳市道斯垃圾處理技術開發有限公司) from August 1998 to March 2001, and concurrently served as the deputy general manager and chief financial officer of Shenzhen Dow's Environmental Science and Technology Co., Ltd (深圳道斯環保科技有限公司) from August 1998 to March 2001. Between March 2001 and December 2009, Mr. Huang was the director, deputy general manager and chief financial officer of Dynagreen International Holding (綠色動力國際控股), and concurrently served as the chairman of the board of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司), the predecessor of our Company, from January 2002 to September 2005 and served as a director of Blue-ocean Environment from September 2005 to December 2009, and the chairman of the board of Foshan Shunde Shuneng Garbage Power Company Limited (佛山市順德區順能垃圾發電有限公司) from November 2007 to August 2010. Mr. Huang was the chief operational officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司), the predecessor of our Company, from January 2010 to April 2012, and concurrently served as the general manager of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司) from April to August 2010. Mr. Huang has been a Deputy General Manager of our Company since April 2012. Mr. Huang graduated from the College of Economics of Jinan University (暨南大學經濟學院) with a Bachelor's degree in Economics in Planning and Statistics in June 1989, and obtained his Master's degree in Economics from Zhongnan University of Economics & Law (中南財經政法大學) in December 2002. Mr. Huang qualified as a Senior Operating Manager, the certificate of which was issued by Labor Bureau of Hubei Province (湖北省勞動廳), in July 2000.

Mr. Hou Zhiyong (侯志勇), aged 56, is a Deputy Manager of our Company. Mr. Hou served as the deputy section head of Operational Section of Shanxi Niangziguan Electricity Factory (山西娘子關電廠) from March 1989 to February 1992, the section head of Operational Section from February 1992 to May 1995, the deputy general engineer from May 1995 to May 1996, the general engineer from May 1996 to June 1998, the deputy director as well as the general engineer from June 1998 to January 2001 and the general director from January 2001 to March 2002. Mr. Hou also served as the general director of Datang Taiyuan No. 2 Thermal Power Plant (大唐太原第二熱電廠) from March 2002 to September 2004. Mr. Hou served as deputy general engineer at Datang Heilongjiang Power Company (大唐黑龍江發電有限公司) from September 2004 to September 2006. Mr. Hou served as deputy general engineer at Shanxi Energy Industries Group Company (山西能源產業集團有限責任公司) from September 2006 to September 2007. Mr. Hou has been a Deputy General Manager of our Company from September 2007 to January 2010 and since April 2012. Between January 2010 and April 2012, Mr. Hou served as the Chief Engineering Officer of our Company. Mr. Hou graduated from Taiyuan Institute of Technology (太原工學院) with a Bachelor's degree in Power Plants and Power Systems in August 1983, and obtained his Master's degree in Electrical Engineering from North China Electric Power University (華北電力大學) in April 2002. Mr. Hou qualified as a senior engineer, the certificate of which was issued by the Evaluation Committee of Senior Engineer of Electricity Industry Bureau of Hubei Province (湖北省電力工業局高級工程師評審委員會), in May 1997.

Mr. Lu Juliu (盧巨流), aged 74, is the Chief Technology Officer and Deputy General Manager of our Company. Mr. Lu worked as a product designer at the Grinding Institute of Jiangsu Wuxi Machine Tool Plant (江蘇省無錫市無錫機床廠磨床研究所) from July 1964 to June 1985 and served as deputy director from June 1985 to October 1995 and the general engineer from October 1995 to March 2000 of Shenzhen Municipal Environmental Protection Comprehensive Treatment Plant (深圳市市政環衛綜合處理廠). Mr. Lu then served as a technology consultant of a group company of Weiming Group Co., Ltd. (偉明集團有限公司) at Wenzhou City in Zhejiang Province from March 2000 to September 2003 and served as the manager of Technology Department of our Company from September 2003 to April 2008, and the General Engineer of our Company from April 2008 to January 2010 and since April 2012, and has served as the Chief Technology Officer of our Company from January 2010 to April 2012. Mr. Lu has been the Deputy General Manager and General Engineer of our Company since April 2012. Mr. Lu graduated from the South China University of Technology (華南理工大學) (formerly known as (華南工學院) majoring in Machinery Engineering in July 1964.

Mr. Zhu Shuguang (朱曙光), aged 39, is the Secretary of the Board, Joint Company Secretary, Authorized Representative and Officer of the Treasury Department of our Company. Mr. Zhu worked at China Securities (華夏證券) before March 2002. Mr. Zhu worked in securities investment while working at Shenzhen Han's Laser Technology Co., Ltd. (深圳市大族激光科技股份有限公司) from August 2002 to March 2004. Between April 2004 and August 2008, Mr. Zhu was the deputy general director of Department of Securities of Shenzhen Baoneng Group (深圳市寶能投資集團有限公司). Mr. Zhu was a manager of Department of Securities of AVIC Sanxin Co., Ltd. (中航三鑫股份有限公司) as well as deputy general manager and secretary of the board of Shenzhen JMT Glass Co., Ltd. (深圳三鑫精美特有限公司), a subsidiary of AVIC Sanxin Co., Ltd., from August 2008 to August 2010. Mr. Zhu has been the Officer of Treasury Department of our Company since September 2010, and the Secretary of the Board of our Company since 3 December 2013. Mr. Zhu graduated from Central University of Finance and Economics (中央財經大學) with a Bachelor's degree in Economics majoring in Investment Economics in July 1999.

Joint Company Secretaries

Mr. Zhu Shuguang (朱曙光) is currently the Secretary of the Board, Joint Company Secretary, and Authorized Representative of our Company. Please refer to the sub-section headed "Senior Management" for the biographical details of Mr. Zhu.

Mrs. Seng Sze, Ka Mee Natalia (沈施加美), aged 58, has been appointed as the Joint Company Secretary of our Company since 22 January 2014. Mrs. Seng is the chief executive officer of China and Hong Kong of Tricor Group/ Tricor Services Limited ("**Tricor**"), and also a practice leader of Tricor's Corporate Services and China Consultancy Services. Mrs. Seng leads the strategic development and management of Tricor's operations in China and Hong Kong. Prior to joining Tricor in 2002, Mrs. Seng was a director of Company Secretarial Services with Ernst & Young and Tengis Limited in Hong Kong. She has over 30 years of experience in the provision of professional secretarial, business advisory and fiduciary services. Mrs. Seng is currently the secretary of the Manager of a listed REIT in Hong Kong and company secretary/joint company secretary of three Hong Kong listed companies. Mrs. Seng is a chartered secretary and served as the president from 2007 to 2009, a council member from 1996 to 2012 and a fellow of The Hong Kong Institute of Chartered Secretaries ("**HKICS**"). She is also a fellow and a current council member of The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom; a fellow of the Taxation Institute of Hong Kong ("**TIHK**") and The Hong Kong Institute of Directors ("**HKIoD**"). Mrs. Seng has been an appointed lay member of the Council of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") since December 2013 and an appointed member of the Inland Revenue Department Users' Committee since 2009. Mrs. Seng obtained a Master's degree in Business Administration (Executive) from City University of Hong Kong in November 2006.

Report of Directors

The board of directors is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2014.

Global Offering

The Company restructured into a joint stock company with limited liability under the Company Law of the PRC on 23 April 2012. The H Shares of the Company were listed on the Hong Kong Stock Exchange on 19 June 2014.

Principal Activities

The Group is engaged in the investment, technical consulting, construction, operation and maintenance of WTE plants in the PRC treating municipal solid waste using waste incineration technology. During the reporting period, the principal activities of the Group have no significant change.

Details about the businesses of the major subsidiaries are set out in note 13 to the financial statements. Analysis of revenue by principal activities of the Group during the reporting period is set out in note 3 to the financial statements.

Results

The consolidated results of the Group for the reporting period are set out in the consolidated statement of profit or loss and other comprehensive income on page 52.

Final Dividend

The Board does not recommend the payment of final dividend for the reporting period.

Annual General Meeting

The annual general meeting ("**AGM**") of the Company will be held on Friday, 19 June 2015, while the notice of the AGM will be published and dispatched to shareholders of the Company in the manner as stipulated in the Listing Rules when appropriate.

Financial Summary

A summary of the Group's financial information for the last four financial years is set out on page 4 of this annual report, as extracted from the audited financial statements and reclassified as appropriate. That summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group during the reporting period are set out in note 11 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the Reporting Period are set out in note 24(c) to the financial statements.

Professional Tax Advice Recommended

If the Shareholders of the Company are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the shares of the Company, they are advised to consult an expert.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC (the jurisdiction in which the Company was established) which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Purchase, Sale or Redemption of Listed Shares of the Company

During the reporting period, there has been no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries.

Reserves

Details of movements in the reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity on page 57 of this annual report.

Distributable Reserves

During the reporting period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to RMB37.96 million. In addition, none of the Company's share premium account is available for distribution by way of capitalisation issues.

Major Customers and Suppliers

During the period, sales to the Group's five largest customers accounted for 74% of the total sales for the reporting period and sales to the largest customer included therein amounted to 27%. Purchases from the Group's five largest suppliers accounted for 43% of the total purchases for the year and Purchases from the largest supplier included therein amounted to 12% of the total purchases for the reporting period.

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

Directors and Supervisors

The Directors since the listing date and up to the date of this annual report are as follows:

Non-executive Directors

Mr. ZHI Jun *(Chairman) (Appointed on 11 April 2012)*
Mr. GUO Yanbin *(Appointed on 11 April 2012) (Resigned on 20 August 2014)*
Ms. SUN Jing *(Appointed on 11 April 2012)*
Mr. LIU Shuguang *(Appointed on 11 April 2012)*
Mr. YAO Ji *(Appointed on 24 October 2012) (Resigned on 20 August 2014)*
Mr. Ma Xiaopeng *(Appointed on 7 November 2014)*

Executive Directors

Mr. QIAO Dewei *(General Manager) (Appointed on 11 April 2012)*
Mr. Hu Shengyong *(Appointed on 7 November 2014)*

Independent Non-executive Directors

Mr. LAI Desheng *(Appointed on 11 April 2012)*
Ms. CHEN Xin *(Appointed on 11 April 2012)*
Mr. KWAN Kai Cheong *(Appointed on 22 January 2014)*
Ms. LI Ping *(Appointed on 11 April 2012) (Resigned on 22 January 2014)*

The Supervisors of the Company ("**Supervisors**") since the listing date and up to the date of this annual report are as follows:

Mr. Luo Zhaoguo *(Appointed as Chairman on 14 August 2014) (Appointed as Supervisor on 19 June 2013)*
Ms.Zhong Xia *(Appointed as Chairman on 11 April 2012) (Resigned on 14 August 2014)*
Mr. Liu Jinsong *(Appointed on 18 December 2013)*
Ms. Hu Fang *(Appointed on 14 August 2014)*

Directors, Supervisors and Senior Management

Biographical details of Directors, Supervisors and Senior Management are set on pages 20 to 27 of this annual report.

Independent Non-executive Directors

From the listing date of 19 June 2014 and up to 31 December 2014, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

Directors' and Supervisors' Service Contracts

Neither the Company nor other members of the Group has entered into or intended to enter into any service contract with the Directors proposed for re-election at the AGM, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

No contract of significance has been entered into during the Reporting Period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries.

Emoluments for Directors, Supervisors and Employees

Details of the emoluments for Directors, supervisors and highest paid employees of the Company are set out in notes 7 and 8 to the financial statements.

The emoluments of the Directors are recommended by the remuneration and appraisal committee of the Company, and approved by the Board, as authorized by shareholders in the annual general meeting of the Company, having regard to their time commitment and responsibilities, the salaries paid by comparable companies, employment conditions elsewhere in the Group and desirability of performance-based remuneration. No Directors are involved in deciding their own remuneration.

Directors', Supervisors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests and short positions of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Listing Rules were as follows:

Directors	Number of shares held	Capacity	Approximate percentage of shareholding in the relevant class of shares [(1)]	Approximate percentage of shareholding in the total share capital of the Company [(2)]
Mr. Qiao Dewei [(3)]	20,918,478 unlisted Shares (Long position)	Interest in controlled corporation	3.27%	2.00%

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2014.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2014.

(3) Shenzhen Jingxiu Investment Partnership (Limited Partnership) ("**Jingxiu Investment**") held 20,918,478 unlisted shares, representing 3.27% of the unlisted share capital and approximately 2.00% of the total share capital of the Company respectively. As Mr. Qiao Dewei is a general partner of Jingxiu Investment according to the partnership agreement of Jingxiu Investment, pursuant to the SFO, Mr. Qiao Dewei is deemed to be interested in the unlisted shares held by Jingxiu Investment.

Apart from the above, none of the directors, supervisors and chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2014 as recorded in the Register required to be kept under Section 352 of the SFO or which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code.

Apart from the above, at no time during the period from the listing date to 31 December 2014 was the Company or its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors, supervisors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders' Interests or Short Positions in the Shares and Underlying Shares

Save as disclosed in the section headed "Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31 December 2014, according to the Register kept under Section 336 of the SFO, the following shareholders who had 5% or more interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO as at 31 December 2014:

Shareholders	Number of shares held	Capacity	Approximate percentage of shareholding in the relevant class of shares[1]	Approximate percentage of shareholding in the total share capital of the Company[2]
BSAM[3]	501,189,618 unlisted Shares (Long position)	Interest in controlled corporation/ Beneficial owner	78.23%	47.96%
BSAM (HK)[4]	24,859,792 H Shares (Long position)	Beneficial owner	6.14%	2.38%
BSAM[4]	24,859,792 H Shares (Long position)	Interest in controlled corporation	6.14%	2.38%
National Council for Social Security Fund	34,813,000 H Shares (Long position)	Beneficial owner	8.61%	3.33%
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)[5]	69,725,295 unlisted Shares (Long position)	Beneficial owner	10.88%	6.67%
Beijing Green Innovation Investment Company Limited[5]	69,725,295 unlisted Shares (Long position)	Interest in controlled corporation	10.88%	6.67%
Beijing Zhixinheng Jin Investment Co., Ltd.[5]	69,725,295 unlisted Shares (Long position)	Interest in controlled corporation	10.88%	6.67%
Bai Hongtao[5]	69,725,295 unlisted Shares (Long position)	Interest in controlled corporation	10.88%	6.67%
Pan Ling[5]	69,725,295 unlisted Shares (Long position)	Interest in controlled corporation	10.88%	6.67%
Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership)[6]	48,806,817 unlisted Shares (Long position)	Beneficial owner	7.62%	4.67%
Poly Longma Asset Management Co. Ltd.[6]	48,806,817 unlisted Shares (Long position)	Interest in controlled corporation	7.62%	4.67%
Poly Communications Ltd.[6]	48,806,817 unlisted Shares (Long position)	Interest in controlled corporation	7.62%	4.67%

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2014.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2014.

(3) BSAM directly or indirectly holds 501,189,618 unlisted shares, representing 78.23% of the unlisted Shares and approximately 47.96% of the total share capital of the Company respectively. BSAM is also interested in 62.37% of the total share capital of Beijing Venture Capital Co., Ltd. ("**Beijing Venture Capital**") and Beijing Venture Capital is interested in 19,571,266 Shares representing approximately 1.87% of the total share capital of the Company. BSAM is therefore also deemed to be interested in the unlisted shares held by Beijing Venture Capital pursuant to the SFO.

(4) BSAM (HK) is a wholly-owned subsidiary of BSAM. Pursuant to the SFO, BSAM is deemed to be interested in the H Shares held by BSAM (HK), holding 24,859,792 H Shares, representing approximately 6.14% of the total unlisted share capital of the Company and approximately 2.38% of the total share capital of the Company.

(5) 53.33% equity interest of Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership) is held by Beijing Green Innovation Investment Company Limited. 45.78% equity interest of Beijing Green Innovation Investment Company Limited is held by Beijing Zhixinheng Jin Investment Co., Ltd.. The equity interest of Beijing Zhixinheng Jin Investment Co., Ltd. is held as to 50% by each of Bai Hongtao and Pan Ling. Based on the above and pursuant to the SFO, each of Beijing Green Innovation Investment Company Limited, Beijing Zhixinheng Jin Investment Co., Ltd., Bai Hongtao and Pan Ling is therefore deemed to be interested in the unlisted shares held by Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership).

(6) 40% equity interest of Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership) is held by Poly Longma Asset Management Co. Ltd.. 45% equity interest of Poly Longma Asset Management Co. Ltd. is held by Poly Communications Ltd.. Based on the above and pursuant to the SFO, each of Poly Longma Asset Management Co. Ltd. and Poly Communications Ltd. is therefore deemed to be interested in the unlisted shares held by Poly Longma Hongli Equity Investment Fund (Tianjin) Limited Partnership (Limited Partnership).

Apart from the above, as at 31 December 2014, no other interests required to be recorded in the Register kept under Section 336 of the SFO have been notified to the Company.

Mr. Zhi Jun, Ms. Sun Jing and Mr. Ma Xiaopeng, non-executive Directors of the Company, are employees of BSAM or entities under the BSAM group.

Directors' Rights to Acquire H Shares

During the Reporting Period, none of the Directors, Supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2014, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

Share Option Scheme

No share option scheme was adopted by the Company since the establishment.

Connected Transactions

Non-Competition Agreement

The Group entered into the Non-Competition Agreement with BSAM (a connected person of the Company by virtue of being the controlling shareholder of the Company) on 23 December 2013, under which BSAM has agreed not to and will procure its subsidiaries (other than listed subsidiaries of BSAM) not to compete with us in our Core Business and has granted us options for new business opportunities, the call option and pre-emptive rights. In addition, if requested by the Hong Kong Stock Exchange or other regulatory authorities, BSAM will use its best endeavors to procure its associated companies and joint ventures (if any) to comply with the Non-Competition Agreement. According to the Non-Competition Agreement, when the Group decides whether to exercise the options for acquisition of new business opportunities, subscription right or the pre-emptive rights, the Group shall comply with related requirements under the Chapter 14A of the Listing Rules. The Company and the independent non-executives have received the statement issued by BSAM confirming its compliance with the Non-Competition Agreement during the reporting period.

Financial guarantees provided by controlling shareholder

The related party transactions in relation to the financial guarantee given by controlling shareholder as disclosed in Note 28 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Service Contracts

The related party transactions in relation to the emoluments of Directors, Supervisors and employees as disclosed in Note 28 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

Separately, all the related party transactions of the Group for the Reporting Period disclosed in Note 28 to the consolidated financial statements did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders approval requirements under the Listing Rules.

Charitable donation

During the reporting period, the Group did not make any charitable donation.

Events after the Reporting Period

The Company does not have any significant events after the reporting period.

Audit Committee

The Audit Committee of the Board ("**Audit Committee**") has reviewed with the management and external auditors the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year.

Corporate Governance

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules as its own code of corporate governance. From the date of listing on the Hong Kong Stock Exchange and up to the date of this annual report, the Company has complied with the code provisions set out in the CG Code, except Rule A.5.6 of the CG Code in relation to the adoption of Board Diversity Policy, which was due the recent listing of the Company in 2014. However, the Board has adopted the Board Diversity Policy on the date of this annual report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Details about the corporate governance practice adopted by the Company are set out in the Corporate Governance Report on page 39 to page 49 of this annual report.

Closure of Register of Members

In order to determine the shareholders eligible to attend the AGM of the Company, the register of members of the Company will be closed from Wednesday, 20 May 2015 to Friday, 19 June 2015, both days inclusive, during which no transfer of shares will be registered. Only shareholders of the Company whose names appear on the register of members of the Company on Friday, 19 June 2015 or their proxies or duly authorized corporate representatives are entitled to attend the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 19 May 2015.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the Listing Date and up to the date of this annual report, the Company had maintained a public float as required under the Listing Rules.

Global Offering

As at 19 June 2014, the Shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange, pursuant to which the Company issued 300,000,000 new H Shares at a price of HK$3.45 per H Share.

Increase in the registered share capital

Pursuant to the exercise of Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014), the registered share capital of the Company increased by RMB45,000,000 to RMB1,045,000,000 on 3 July 2014, divided into 1,045,000,000 ordinary shares at par value of RMB1.00 each.

The exercise of Over-allotment Option

Pursuant to the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 9 June 2014) granted under the Global Offering (as defined in the prospectus of the Company dated 9 June 2014) on 29 June 2014, the Company allotted an aggregate of 45,000,000 new H Shares on 3 July 2014. The total number of issued shares of the Company therefore increased by 4.5%.

Competing Business

During the Reporting Period and up to the date of this annual report, none of the Directors, supervisors, chief executive or the shareholders of the Company or their respective associates engage in or are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

Auditor

KPMG has served as the auditor of the Company during the reporting period.

KPMG will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the reappointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM of the Company.

On behalf of the Board
ZHI Jun
Chairman

Shenzhen, the PRC
20 March 2015

Supervisory Committee's Report

To all shareholders of
Dynagreen Environmental Protection Group Co., Ltd. (the "Company")

During the year, the supervisory committee of the Company (the "**Supervisory Committee**") has duly carried out its supervisory duties in a stringent manner to effectively protect the interests of the Company and its shareholders (the "**Shareholder(s)**") in accordance with the relevant provisions of the PRC Company Law and the requirement of the relevant laws and regulations of Hong Kong and articles of association of the Company (the "**Articles**").

On 20 March 2015, the Supervisory Committee convened a meeting, at which the 2014 financial statements of the Group and a preliminary draft of the independent auditor's report were reviewed and approved. The Supervisory Committee is of the view that the financial statements have been prepared in accordance with the relevant accounting standards and fairly reflect the financial conditions and results of operations of the Group.

The Supervisory Committee concluded that, during the year, all members of the Board and the senior management of the Group had, under the principles of diligence, fairness and honesty, duly performed the responsibilities stipulated in the Articles of Association of the Company, carefully implemented all resolutions of the general meetings and the Board had never breached any laws, regulations and the Articles of Association of the Company.

In the coming year, the Supervisory Committee shall continue to carry out its duties in accordance with the relevant provisions of requirements and regulations, the Articles of Association of the Company and the applicable rules governing listing of shares, and commit to perform supervisory duties honestly and diligently, with the aim of protecting the interests of the Company and its shareholders as a whole.

By Order of the Supervisory Committee
Dynagreen Environmental Protection Group Co., Ltd.

Luo Zhaoguo
Chairman of the Supervisory Committee
Shenzhen, the PRC
20 March 2015

Corporate Governance Report

Corporate Governance Practices

The Group has committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Code Provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. From the date of listing on the Hong Kong Stock Exchange and up to 31 December 2014, the Company has complied with the code provisions set out in the CG Code.

The Board considered that the Company has complied with substantial code provisions as set out in the CG Code from 19 June 2014 to 31 December 2014, except Rule A.5.6 of the CG Code in relation to the adoption of Board Diversity Policy by the nomination committee because the Company is newly listed. A Board Diversity Policy was adopted at a Board meeting held on 20 March 2015. Such policy states that the Company shall consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include gender, age, cultural and educational background, professional experience, skills and knowledge.

The Company will continue to review and improve its corporate governance practices to ensure the compliance with the CG Code.

Trading of Shares by Directors, Supervisors and Employees

The Company has adopted Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel (the "**Management Measures**") on terms no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the"**Model Code**") contained in Appendix 10 to the Listing Rules. The Company had made specific inquiries to all of the Directors and the Supervisors on whether they had complied with the Management Measures since the date on which the Company became listed on the Hong Kong Stock Exchange and up to 31 December 2014, and all of the Directors and the Supervisors had confirmed that they had all complied with the Management Measures.

The Company has entered into Employees Written Guidance (the "**Employees Written Guidance**") for its employees who may hold unpublished internal information in relation to dealing securities with terms no less favourable than the Model Code. The Company was not aware of any matters in relation to breaches of the Employees Written Guidance by any employee.

Board of Directors

The Board of directors of the Company consist of the following directors:

Non-executive Directors:

ZHI Jun *(Chairman)*
GUO Yanbin *(Deputy Chairman) (Resigned on 20 August 2014)*
SUN Jing
LIU Shuguang
YAO Ji *(Resigned on 20 August 2014)*
Ma Xiaopeng *(Appointed on 7 November 2014)*

Executive Directors:

QIAO Dewei *(General Manager)*
Hu Shengyong *(Appointed on 7 November 2014)*

Independent non-executive Directors:

LAI Desheng
CHEN Xin
KWAN Kai Cheong *(Appointed on 22 January 2014)*
LI Ping *(Resigned on 22 January 2014)*

The Board currently consists of nine members, including four non-executive Directors, two executive Directors and three independent non-executive Directors. Biography information of Directors is set out on page 20 to page 27, the "Directors, Supervisors and Senior Management" of the annual report for the year ended 31 December 2014.

Pursuant to the Articles of Association of the Company, the Board shall consist of nine Directors. Mr. GUO Yanbin and Mr. YAO Ji resigned as non-executive Directors on 20 August 2014 and had continued performing their duties under laws, administrative regulations, department rules and systems and the Articles of Association of the Company until the appointment of Mr. Ma Xiaopeng and Mr. Hu Shengyong came into effect.

None of the members of the Board is related to each other.

Chairman and General Manager

The positions of chairman and general manager of the Company are held by Mr. Zhi Jun and Mr. Qiao Dewei respectively. The chairman provides leadership for the Board and is responsible for formulating corporate and business strategies and making major corporations and operations decisions. The general manager focuses on the business development and is responsible for the daily operation and management. He is also taking part in formulating and implementing the overall corporate and business strategy. Their respective responsibilities are clearly defined and set out in writing.

Independent non-executive Directors

From the listing date of 19 June 2014 and up to 31 December 2014, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Non-executive Directors and Directors' re-election

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors of the Company has been appointed for an initial term of three years, subject to re-election by shareholders.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored made induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors will be arranged and reading material on relevant topics will be issued to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

All the Directors have actively participated in the continuous professional development by way of attending seminar and/or conferences and/or forums and/or reading materials. The Company organized a training session conducted by the lawyer for all Directors on directors' duties and responsibilities/corporate governance/update on Listing Rule amendments/disclosure of inside information.

During the year ended 31 December 2014, the following Directors attended seminars/training sessions/in-house briefing/reading materials:

Directors	**Attending seminar and/or conferences and/or forums**	**Reading journals, updates, articles and/or materials, etc**
Non-executive Directors		
ZHI Jun	✓	✓
GUO Yanbin *(resignation with effect from 20 August 2014)*	✓	✓
SUN Jing	✓	✓
LIU Shuguang	✓	✓
YAO Ji *(resignation with effect from 20 August 2014)*	✓	✓
MA Xiaopeng *(appointment with effect from 7 November 2014)*	✓	✓
Executive Directors		
QIAO Dewei	✓	✓
HU Shengyong *(appointment with effect from 7 November 2014)*	✓	✓
Independent non-executive Directors		
LAI Desheng	✓	✓
CHEN Xin	✓	✓
KWAN Kai Cheong *(appointment with effect from 22 January 2014)*	✓	✓
LI Ping *(resignation with effect from 22 January 2014)*	—	—

Board Committees

The Board has established 4 committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Company has established an audit committee (the "**Audit Committee**") in compliance with the Listing Rules. During the Reporting Period, the Audit Committee of the Company comprised the following Directors:

Independent non-executive Directors
Kwan Kai Cheong *(Chairman)*
Chen Xin

Non-executive Directors
Yao Ji *(resigned on 20 August 2014)*
Ma Xiaopeng *(appointed on 7 November 2014)*

The primary responsibilities of the Audit Committee include (but not limited to): (i) proposing appointment, re-appointment or removal of external auditors; (ii) reviewing and monitoring external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; (iii) reviewing the financial information of the Company; (iv) overseeing the financial reporting system and internal control procedures of the Company; and (v) enhancing communication channels which the Group's employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee held three meetings to review interim financial results and reports for the six months ended 30 June 2014 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 46.

The Audit Committee also reviewed the financial results of the Group for the year ended 31 December 2014, considered the re-appointment of KPMG as the Company's external auditors in 2015 and met the external auditors once without the presence of the executive Directors.

Remuneration and Appraisal Committee

The Company has established a remuneration and appraisal committee (the "**Remuneration Committee**") in compliance with the Listing Rules. During the Reporting Period, the Remuneration Committee of the Company comprised the following Directors:

Independent non-executive Directors
Chen Xin *(Chairman)*
Lai Desheng

Non-executive Director
Sun Jing

The primary responsibilities of the Remuneration Committee include (but not limited to): (i) researching and recommending to the Board on the Company's remuneration structure and policy for all Directors, Supervisors (the "**Supervisors**") and senior management of the Company; (ii) determining, with delegated responsibilities from the Board, or recommending to the Board the remuneration packages of individual executive Directors and members of the senior management; (iii) recommending to the Board on the remuneration of non-executive Directors; (iv) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct; and (v) monitoring the implementation of remuneration policies of Directors, Supervisors and senior management.

The Remuneration Committee met twice to review, determine and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 46.

Nomination Committee

The Company has established a nomination committee (the "**Nomination Committee**") in compliance with the Listing Rules. During the Reporting Period, the Nomination Committee comprised the following Directors:

Independent non-executive Directors
Lai Desheng *(Chairman)*
Kwan Kai Cheong

Non-executive Directors
Guo Yanbin *(resignation with effect from 20 August 2014)*
Ma Xiaopeng *(appointment with effect from 7 November 2014)*

The primary responsibilities of the Nomination Committee include (but not limited to): (i) making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for Directors; (ii) reviewing the structure, size and composition of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and (iii) identifying individuals suitably qualified to become Directors, selecting or recommending to the Board on the selection of individuals nominated for directorships or providing advice to the Board in respect thereof.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr Ma Xiaopeng as non-executive Director and Mr Hu Shengyong as executive Director respectively. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 46.

Strategy Committee

The Company has also established a strategy committee (the "**Strategy Committee**"). During the Reporting Period, the Strategy Committee comprised the following Directors:

Non-executive Directors
Zhi Jun *(Chairman)*
Sun Jing
Liu Shuguang

Executive Director
Qiao Dewei

Independent non-executive Director
Lai Desheng

The primary responsibilities of the Strategy Committee include (but not limited to): (i) researching and recommending on the medium to long term strategic and development plans of the Company; (ii) researching and recommending on significant capital expenditure, investment and financing projects of our Company; and (iii) researching and recommending on significant matters relating to the development of the Company.

The Strategy Committee held three meetings during the year ended 31 December 2014 to discuss the business strategies of the Group and the attendance records are set out under "Attendance Record of Directors and Committee Members" on page 46.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Management Measures and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2014 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	**Board**	**Nomination Committee**	**Remuneration and Appraisal Committee**	**Audit Committee**	**Strategy Committee**	**Extraordinary General Meetings**	**2013 Annual General Meeting**
ZHI Jun	10/10	—	—	—	3/3	2/2	1/1
GUO Yanbin#	10/10	2/2	—	—	—	1/2	1/1
SUN Jing	10/10	—	2/2	—	3/3	2/2	1/1
LIU Shuguang	10/10	—	—	—	3/3	1/2	1/1
YAO Ji#	10/10	—	—	2/2	—	2/2	1/1
MA Xiaopeng*	0/0	0/0	—	1/1	—	0/0	—
QIAO Dewei	10/10	—	—	—	3/3	1/2	1/1
HU Shengyong^	0/0	—	—	—	—	0/0	—
LAI Desheng	10/10	2/2	2/2	—	3/3	2/2	1/1
CHEN Xin	10/10	—	2/2	3/3	—	2/2	1/1
KWAN Kai Cheong@	10/10	2/2	—	3/3	—	0/1	1/1
LI Ping∆	—	—	—	—	—	1/1	—

Resigned as non-executive Directors with effect from 20 August 2014

* Appointed as non-executive Director with effect from 7 November 2014

^ Appointed as executive Director with effect from 7 November 2014

∆ Resigned as independent non-executive Director with effect from 22 January 2014

@ Appointed as independent non-executive Director with effect from 22 January 2014

Apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year.

Directors' Responsibility in Respect of the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2014.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 50.

Auditors' Remuneration

The remuneration paid to the Company's external auditors of the Company (including KPMG and other PRC auditors) in respect of audit services for the year ended 31 December 2014 amounted to RMB2,314,000, of which RMB2,000,000 is for audit services and interim review services rendered by KPMG. No other services were provided by the Company's external auditors during the year ended 31 December 2014.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

Company Secretaries

Mrs Seng Sze, Ka Mee Natalia of Tricor Services Limited has been engaged by the Company as its external joint company secretary. The Company's primary contact person is Mr Zhu Shuguang, another joint company secretary of the Company.

Mrs Natalia Seng and Mr Zhu Shuguang, the joint company secretaries, have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

Shareholders' Rights

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Shareholders holding 10% or more Shares (individually or together with others) shall be entitled to request for an extraordinary general meeting or class meeting.

The aforesaid shareholders may sign one or several written requests stating the subject of the meeting to request the Board to convene an extraordinary general meeting or class meeting. Shares held by the above shareholders shall be calculated as at the date of submitting the written request.

Putting Forward Proposals at Extraordinary General Meeting

When a general meeting is held by the Company, the Board, supervisory committee or shareholders who individually or together holding more than 3% of the Shares of the Company may propose resolutions to the Company.

Shareholders who individually or together holding more than 3% of the Shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting at least 10 days before the holding of the general meeting.

The contents of the proposals to be raised shall be within the scope of duties of the general meetings. It shall have a clear topic and specific matters to be resolved on, and shall be in compliance with relevant requirements of the laws, administrative regulations and the Company's Articles of Association.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

1st Floor, Xiu Ping Commercial Building, 104 Jervois Street, Hong Kong
(For the attention of Mr Zhu Shuguang)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Communication with Shareholders and Investors/Investor Relations

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

During the year under review, the Company has amended its Articles of Association for enhancing its corporate governance. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the date on which the Company became listed on the Hong Kong Stock Exchange and up to 31 December 2014, the Company had maintained a public float as required under the Listing Rules.

Independent Auditor's Report

KPMG

Independent Auditor's Report to the Shareholders of
Dynagreen Environmental Protection Group Co., Ltd.
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Dynagreen Environmental Protection Group Co., Ltd. (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 52 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flows statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements under the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Turnover	3	**1,226,310**	975,185
Direct costs and operating expenses		**(849,159)**	(688,022)
		377,151	287,163
Other revenue	4	**27,579**	24,864
Other net income	4	**8,067**	4,844
Listing expenses	5(c)	**(13,515)**	(3,783)
Administrative expenses		**(83,225)**	(52,558)
Other operating expenses		**(271)**	(898)
Profit from operations		**315,786**	259,632
Finance costs	5(a)	**(121,950)**	(74,290)
Profit before taxation	5	**193,836**	185,342
Income tax	6	**(51,791)**	(34,441)
Profit for the year		**142,045**	150,901
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements, net of nil tax		**(36)**	(1,200)
Total comprehensive income for the year attributable to equity shareholders of the Company		**142,009**	149,701
Basic and diluted earnings per share	10	**RMB0.16**	RMB0.22

The notes on pages 60 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Vehicles and equipment	11	6,647	7,055
Intangible assets	12	1,597,826	1,345,774
Investment in an associate	14	3,500	3,500
Other receivables	17	154,425	167,357
Gross amounts due from customers for contract work	15	1,566,826	1,078,144
Deferred tax assets	23(b)	1,038	—
		3,330,262	2,601,830
Current assets			
Inventories	16	7,322	6,021
Trade and other receivables	17	327,566	209,849
Gross amounts due from customers for contract work	15	10,897	9,628
Restricted deposits	18	23,814	21,000
Cash and cash equivalents	19	762,356	502,167
		1,131,955	748,665
Current liabilities			
Loans and borrowings	20	551,361	410,023
Trade and other payables	21	332,158	209,703
Current taxation	23(a)	22,815	8,302
		906,334	628,028
Net current assets		225,621	120,637
Total assets less current liabilities		3,555,883	2,722,467

The notes on pages 60 to 124 form part of these financial statements.

Consolidated Statement of Financial Position (Continued)

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Loans and borrowings	20	**1,040,006**	1,299,425
Deferred tax liabilities	23(b)	**62,635**	43,391
Trade payables	21	**275,850**	168,218
		1,378,491	1,511,034
NET ASSETS		**2,177,392**	1,211,433
CAPITAL AND RESERVES			
Capital	24	**1,045,000**	700,000
Reserves	24	**1,132,392**	511,433
TOTAL EQUITY		**2,177,392**	1,211,433

Approved and authorised for issue by the board of directors on 20 March 2015.

Qiao Dewei
Director

Hu Shengyong
Director

The notes on pages 60 to 124 form part of these financial statements.

Statement of Financial Position

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Vehicles and equipment	11	**671**	913
Intangible assets	12	**139**	160
Investments in subsidiaries	13	**1,708,012**	1,267,775
Investment in an associate	14	**3,500**	3,500
Other receivables	17	**479,632**	233,000
Deferred tax assets	23(b)	**1,038**	—
		2,192,992	1,505,348
Current assets			
Trade and other receivables	17	**65,780**	27,101
Restricted deposits	18	**8,000**	6,000
Cash and cash equivalents	19	**551,803**	88,410
		625,583	121,511
Current liabilities			
Loans and borrowings	20	**462,063**	293,320
Other payables and accruals	21	**110,267**	24,324
Current taxation	23(a)	**—**	—
		572,330	317,644
Net current assets/(liabilities)		**53,253**	(196,133)
Total assets less current liabilities		**2,246,245**	1,309,215

The notes on pages 60 to 124 form part of these financial statements.

At 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Non-current liabilities			
Loans and borrowings	20	528,767	415,008
NET ASSETS		1,717,478	894,207
CAPITAL AND RESERVES			
Capital	24	1,045,000	700,000
Reserves	24	672,478	194,207
TOTAL EQUITY		1,717,478	894,207

Approved and authorised for issue by the board of directors on 20 March 2015.

Qiao Dewei
Director

Hu Shengyong
Director

The notes on pages 60 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2013		700,000	—	200,955	7,396	(15,564)	303,865	1,196,652
Changes in equity for 2013:								
Profit for the year		—	—	—	—	—	150,901	150,901
Other comprehensive income		—	—	—	—	(1,200)	—	(1,200)
Total comprehensive income		—	—	—	—	(1,200)	150,901	149,701
Acquisition of subsidiary under common control		—	—	(120,920)	—	—	—	(120,920)
Appropriation to statutory reserve	24(d)(iii)	—	—	—	7,198	—	(7,198)	—
Dividends declared in respect of prior years	24(b)	—	—	—	—	—	(14,000)	(14,000)
At 31 December 2013		700,000	—	80,035	14,594	(16,764)	433,568	1,211,433
At 1 January 2014		**700,000**	**—**	**80,035**	**14,594**	**(16,764)**	**433,568**	**1,211,433**
Changes in equity for 2014:								
Profit for the year		**—**	**—**	**—**	**—**	**—**	**142,045**	**142,045**
Other comprehensive income		**—**	**—**	**—**	**—**	**(36)**	**—**	**(36)**
Total comprehensive income		**—**	**—**	**—**	**—**	**(36)**	**142,045**	**142,009**
Appropriation to statutory reserve	24(d)(iii)	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Dividends declared in respect of prior years	24(b)	**—**	**—**	**—**	**—**	**—**	**(70,000)**	**(70,000)**
Shares issued upon initial public offering	24(c)	**345,000**	**548,950**	**—**	**—**	**—**	**—**	**893,950**
At 31 December 2014		**1,045,000**	**548,950**	**80,035**	**14,594**	**(16,800)**	**505,613**	**2,177,392**

The notes on pages 60 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit before taxation		193,836	185,342
Adjustments for:			
Amortisation	5(c)	56,488	34,945
Depreciation	5(c)	2,202	1,728
Impairment loss of intangible assets	5(c)	10,869	—
Reversal of impairment loss on trade and other receivables	5(c)	(48)	(172)
Finance costs	5(a)	107,938	79,515
Interest income	4	(11,310)	(1,813)
Net loss on disposal of vehicles and equipment	4	6	—
Listing expenses	5(c)	13,515	3,783
Net foreign exchange gain	4	(8,073)	(4,844)
Changes in working capital:			
Increase in inventories		(1,301)	(3,312)
Increase in intangible assets		(319,371)	(408,842)
(Increase)/decrease in trade and other receivables		(103,715)	74,416
Increase in gross amounts due from customers for contract work		(489,951)	(299,175)
Increase in trade and other payables		216,768	106,554
Increase in restricted deposits		(2,814)	(2,000)
Cash used in operations		(334,961)	(233,875)
People's Republic of China ("PRC") income tax paid		(19,072)	(21,745)
Net cash used in operating activities		(354,033)	(255,620)

The notes on pages 60 to 124 form part of these financial statements.

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2014
(Expressed in Renminbi)

	Note	2014 RMB'000	2013 RMB'000
Investing activities			
Payment for purchase of vehicles and equipment		**(2,212)**	(3,532)
Payment for purchase of intangible assets		**—**	(261)
Proceeds from disposal of vehicles and equipment		**412**	11
Consideration paid for purchase of a subsidiary		**—**	(123,382)
Interests received		**10,288**	1,813
Increase in other receivables		**—**	(8,000)
Net cash generated from/(used in) investing activities		**8,488**	(133,351)
Financing activities			
Proceeds from entrusted and bank loans		**991,239**	1,308,173
Repayment of bank loans		**(1,109,319)**	(509,333)
Net proceeds from initial public offering		**944,986**	—
Dividend paid to shareholders of the Company		**(70,000)**	(14,000)
Interest paid		**(99,971)**	(76,506)
Payment of listing expenses		**(59,200)**	(1,585)
Net cash generated from financing activities		**597,735**	706,749
Net increase in cash and cash equivalents		**252,190**	317,778
Cash and cash equivalents at beginning of year		**502,167**	185,206
Effect of foreign exchange rate changes		**7,999**	(817)
Cash and cash equivalents at end of year	19	**762,356**	502,167

The notes on pages 60 to 124 form part of these financial statements.

1 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations adopted by the International Accounting Standards Board ("IASB"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKSE") and the disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. A summary of the significant accounting policies adopted by the Company and Group is set out below.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2014 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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

1 Significant Accounting Policies (Continued)

(b) Basis of preparation of the financial statements (Continued)

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new or amended IFRSs are discussed below:

Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on these financial statements as the Company does not qualify to be an investment entity.

Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on these financial statements as they are consistent with the policies already adopted by the Group.

1 Significant Accounting Policies (Continued)

(c) Changes in accounting policies (Continued)

Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The Group has provided disclosures accordingly in related notes in accordance with this standard.

IFRIC 21, *Levies*

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on these financial statements as the guidance is consistent with the group's existing accounting policies.

(d) Subsidiaries

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(d) Subsidiaries (Continued)

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

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

(e) Associates

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(f) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations with functional currency other than RMB are translated into RMB at the exchange rates approximating the exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(g) Non-derivative financial assets

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

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

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

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

(i) Gross amounts due from customers for contract work

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

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

1 Significant Accounting Policies (Continued)

(g) Non-derivative financial assets (Continued)

(ii) Trade and other receivables

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

(iii) Cash and cash equivalents and restricted deposits

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

Restricted deposits mainly represent Build-Operate-Transfer ("BOT") contract deposits.

(h) Non-derivative financial liabilities

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

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

(i) Trade and other payables

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

(ii) Interest-bearing borrowings

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

(i) Ordinary share

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

1 Significant Accounting Policies (Continued)

(j) Inventories

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

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

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

(k) Property, plant and equipment

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

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

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

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

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

(l) Intangible assets

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

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 1(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(o)). Other development expenditure is recognised as an expense in the period in which it is incurred.

1 Significant Accounting Policies (Continued)

(l) Intangible assets (Continued)

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

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

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

Both the period and method of amortisation are reviewed annually.

(m) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets where the customer is able to specify major structural elements of the design. The accounting policy for contract revenue is set out in note 1(q)(ii). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

(n) Operating lease charges

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

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

1 Significant Accounting Policies (Continued)

(o) Impairment of assets

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

— For interest in an associate accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(o)(ii).

1 Significant Accounting Policies (Continued)

(o) Impairment of assets (Continued)

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

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

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

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

(ii) Impairment of other assets

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

— vehicles and equipment;

— intangible assets; and

— investments in subsidiaries and associate in the Company's statements of financial position.

1 Significant Accounting Policies (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(o)(i) and (ii)).

1 Significant Accounting Policies (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

1 Significant Accounting Policies (Continued)

(q) Revenue recognition

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

(i) Service concession arrangement

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

(ii) Revenue from construction services

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

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

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

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

(iv) Finance income

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

1 Significant Accounting Policies (Continued)

(q) Revenue recognition (Continued)

(v) Government grants

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

(r) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

(s) Income tax

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

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

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

1 Significant Accounting Policies (Continued)

(s) Income tax (Continued)

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

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

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

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

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

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

1 Significant Accounting Policies (Continued)

(t) Borrowing costs

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

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

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

1 Significant Accounting Policies (Continued)

(v) Segment reporting

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

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

2 Accounting Judgements and Estimates

(a) Critical accounting judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, management has made the following accounting judgements:

Service concession arrangements

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

(b) Sources of estimation uncertainty

Note 25 contains information about the assumptions and their risk factors relating to financial instruments. Other key sources of estimation uncertainty are as follows:

(i) Construction contracts

As explained in policy notes 1(m) and 1(q)(ii), revenue and profit recognition on an incomplete project is dependent on estimating the final outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the "Gross amounts due from customers for contract work" as disclosed in note 15 and the "Waste-to-energy project operating rights" in note 12 will not include profit which the Group may eventually realise from the work to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

2 Accounting Judgements and Estimates (Continued)

(b) Sources of estimation uncertainty (Continued)

(ii) Impairment losses for bad and doubtful debts

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

(iii) Other impairment losses

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

(iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management reassess these estimates at the end of the reporting period. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

3 Turnover

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

Turnover represents the revenue for construction services under BOT and Build-Transfer ("BT") arrangements, revenue from waste-to-energy project operation services and finance income under the BOT arrangements, as well as technical consulting income. Further details regarding the Group's BOT arrangements are disclosed in note 15. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014 RMB'000	2013 RMB'000
Revenue from waste-to-energy project construction services	**817,611**	714,944
Revenue from waste-to-energy project operation services	**312,090**	201,096
Finance income	**96,609**	57,676
Technical consulting income	**—**	1,469
	1,226,310	975,185

The Group has transactions with the PRC local government authorities and power grid companies which in aggregate exceeded 10% of the Group's turnover. Revenue from provision of waste-to-energy project construction and operation services and finance income derived from local government authorities and power grid companies in the PRC for the year ended 31 December 2014 amounted to RMB1,226,310,000 (2013: RMB973,716,000). Details of concentrations of credit risk arising from these customers are set out in note 25(a).

4 Other Revenue and Net Income

	2014 RMB'000	2013 RMB'000
Other revenue		
Interest income	**11,310**	1,813
Government grants (i)	**3,211**	4,371
Value-added tax refund (ii)	**13,023**	17,755
Others	**35**	925
	27,579	24,864

4 Other Revenue and Net Income (Continued)

	2014 RMB'000	2013 RMB'000
Other net income		
Net loss on disposal of vehicles and equipment	(6)	—
Net foreign exchange gain	8,073	4,844
	8,067	4,844

(i) The government grants (unconditional) of the Group were recognised as income when received.

(ii) Value-added-tax refund represented the tax exemption granted by local tax bureaus, and were recognised as income when there is reasonable assurance that they will be received.

5 Profit Before Taxation

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

(a) Finance costs

	2014 RMB'000	2013 RMB'000
Interest on bank and entrusted loans	107,938	79,515
Other interest expenses (note 21)	15,401	9,871
	123,339	89,386
Less: interest expense capitalised into intangible assets*	(1,389)	(15,096)
	121,950	74,290

* The borrowing costs have been capitalised at a rate of 6.15%~7.04% in 2014 (2013: 6.55%~7.21%).

5 Profit Before Taxation (Continued)

(b) Staff costs

	2014 RMB'000	2013 RMB'000
Contributions to defined contribution retirement plans (note 22)	8,057	5,059
Salaries, wages and other benefits	100,245	76,714
	108,302	81,773

(c) Other items

	2014 RMB'000	2013 RMB'000
Cost of construction service*	668,233	572,149
Operating lease charges	1,927	1,612
Amortisation	56,488	34,945
Depreciation	2,202	1,728
Impairment loss of intangible assets	10,869	—
Reversal of impairment loss on trade and other receivables	(48)	(172)
Auditor's remuneration	2,314	265
Research and development costs**	9,272	7,573
Listing expenses	13,515	3,783

* Cost of construction service include RMB15,324,000 for the year ended 31 December 2014 (2013: RMB18,524,000) relating to staff costs of employees in the construction service, whose amount is also included in the respective total amounts disclosed separately in note 5(b).

** Research and development costs include RMB5,326,000 for the year ended 31 December 2014 (2013: RMB4,178,000) relating to staff costs of employees in the research and development department and depreciation expenses, whose amounts are also included in note 5(b) and 5(c) for each of these types of expenses.

6 Income Tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 RMB'000	2013 RMB'000
Current tax		
Provision for PRC income tax for the year	**33,294**	23,696
Under-provision in respect of prior years	**291**	415
	33,585	24,111
Deferred tax		
Origination and reversal of temporary differences	**18,206**	10,330
Income tax expense	**51,791**	34,441

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

	2014 RMB'000	2013 RMB'000
Profit before taxation	**193,836**	185,342
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	**48,459**	46,335
Tax effect of preferential tax treatments (ii)	**(5,256)**	(13,957)
Tax effect of non-deductible expenses	**455**	542
Tax effect of temporary differences not recognised	**2,673**	(33)
Tax effect of tax losses not recognised	**5,362**	265
Under-provision in respect of prior years	**291**	415
Others	**(193)**	874
Actual tax expense	**51,791**	34,441

(i) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year ended 31 December 2014 (2013: Nil).

The Group's PRC entities are subject to income tax at the statutory rate of 25% for the year ended 31 December 2014 (2013: 25%), unless otherwise specified in note 6(b)(ii).

6 Income Tax in the Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

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

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

The Company was approved as a High and New Technology Enterprise ("HNTE") in September 2009 according to the "Notification of the Registration Filing of the Tax Concession" promulgated by local tax bureau of Nanshan District, Shenzhen, which entitled the Company to a preferential income tax rate of 15% from January 2008 to December 2010. On 31 October 2011, the Company renewed its HNTE qualification, entitling it to the preferential income tax rate of 15% from January 2011 to December 2013. On 30 September 2014, the Company renewed its HNTE qualification, the validation period of the qualification is from January 2014 to December 2016. The Company was entitled to the preferential income tax rate of 15% during 2014.

Entities engaged in qualified environmental protection, water and energy conservation, are eligible for a tax exemption for the first year to the third year, and a 50% reduction in corporate income tax for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "**3+3 tax holiday**"). Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd.("Changzhou Dynagreen") was granted "Certificate of Comprehensive Utilisation of Resources" in 2008 and started to enjoy the 3+3 tax holiday from 2008 to 2013. Haining Dynagreen Renewable Energy Co., Ltd. ("Haining Dynagreen") was granted "Certificate of Comprehensive Utilisation of Resources" in 2012 and entitled to the 3+3 tax holiday retrospectively from 2009 to 2014. Taizhou Dynagreen Renewable Energy Co., Ltd. was granted "Certificate of Comprehensive Utilisation of Resources" in 2013 and entitled to the 3+3 tax holiday retrospectively from 2013 to 2018. Rushan Dynagreen Renewable Energy Co., Ltd. ("Rushan Dynagreen") was granted "Certificate of Comprehensive Utilisation of Resources" in 2014 and entitled to the 3+3 tax holiday retrospectively from 2014 to 2019.

Pursuant to Regulation on the Implementation of Corporate Income Tax ("CIT") Law, entities with annual taxable income not more than RMB300,000 (i.e. mirco-profit entities) were subject to a preferential income tax rate of 20%. According to relevant tax concession notification from the PRC national tax bureau, qualified micro-profit entities with annual taxable income not more than RMB100,000 in 2014 to 2016, were entitled to a further tax concession of 50% on its annual taxable income, which were then subject to the preferential income tax rate of 20%.

Beijing Dynagreen Environmental Protection Technology Research Institute Co., Ltd. satisfied the aforementioned criteria and was subject to a preferential income rate of 20% on its 50% deducted taxable income.

7 Directors' and Supervisors' Remuneration

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

	Directors' and supervisors' fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	2014 Total RMB'000
Executive directors					
Qiao Dewei (喬德衛)	—	836	24	769	1,629
Hu Shengyong (胡聲泳) (note (a))	—	524	26	500	1,050
Non-executive directors					
Liu Shuguang (劉曙光)	—	—	—	—	—
Sun Jing (孫婧)	—	—	—	—	—
Ma Xiaopeng (馬曉鵬) (note (b))	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Guo Yanbin (郭彥彬) (note (g))	—	—	—	—	—
Yao Ji (姚冀) (note (h))	—	—	—	—	—
Independent non-executive directors					
Chen Xin (陳鑫)	50	—	—	—	50
Lai Desheng (賴德勝)	50	—	—	—	50
Kwan Kai Cheong (關啟昌) (note (c))	189	—	—	—	189
Li Ping (李萍) (note (i))	—	—	—	—	—
Supervisors					
Hu Fang (胡芳) (note (d))	—	79	10	8	97
Luo Zhaoguo (羅照國) (note (e))	—	—	—	—	—
Liu Jingsong (劉勁松) (note (f))	—	—	—	—	—
Zhong Xia (仲夏) (note (j))	—	522	15	—	537
Total	289	1,961	75	1,277	3,602

7 Directors' and Supervisors' Remuneration (Continued)

	Directors' and supervisors' fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	2013 Total RMB'000
Executive director					
Qiao Dewei (喬德衛)	—	814	23	640	1,477
Non-executive directors					
Guo Yanbin (郭彥彬)	—	—	—	—	—
Liu Shuguang (劉曙光)	—	—	—	—	—
Sun Jing (孫婧)	—	—	—	—	—
Yao Ji (姚冀)	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Independent non-executive directors					
Chen Xin (陳鑫)	50	—	—	—	50
Lai Desheng (賴德勝)	50	—	—	—	50
Li Ping (李萍)	50	—	—	—	50
Supervisors					
Zhong Xia (仲夏)	—	419	25	250	694
Luo Zhaoguo (羅照國) (note (e))	—	—	—	—	—
Liu Jingsong (劉勁松) (note (f))	—	—	—	—	—
Total	150	1,233	48	890	2,321

Notes:

(a) Mr. Hu Shengyong was appointed as executive director on 7 November 2014.

(b) Mr. Ma Xiaopeng was appointed as non-executive director on 7 November 2014.

(c) Mr. Kwan Kai Cheong was appointed as independent non-executive director on 22 January 2014.

(d) Ms. Hu Fang was appointed as supervisor on 14 August 2014.

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

(f) Mr. Liu Jingsong was appointed as supervisor on 18 December 2013.

(g) Mr. Guo Yanbin resigned as non-executive director on 20 August 2014.

(h) Mr. Yao Ji resigned as non-executive director on 20 August 2014.

(i) Ms. Li Ping resigned as independent non-executive director on 22 January 2014.

(j) Ms. Zhong Xia resigned as supervisor on 14 August 2014.

7 Directors' and Supervisors' Remuneration (Continued)

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

8 Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, two (2013: one) are the director whose endowments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2013: four) individuals are as follows:

	2014 RMB'000	2013 RMB'000
Salaries and other emoluments	**1,573**	2,010
Contributions to defined contribution retirement plans	**75**	97
Discretionary bonuses	**1,426**	1,550
	3,074	3,657

The emoluments of the three (2013: four) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HKD		
1,000,001 to 1,500,000	**3**	4

9 Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB6,279,000 (2013: a profit of RMB46,981,000) which has been dealt with in the financial statements of the Company.

9 Profit Attributable To Equity Shareholders of the Company (Continued)

Reconciliation of the above amount to the Company's profit for the year:

	2014 RMB'000	2013 RMB'000
Amount of consolidated (loss)/profit attributable to equity shareholders dealt with in the Company's financial statements	(6,279)	46,981
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	5,600	25,000
Company's (loss)/profit for the year (Note 24(a))	(679)	71,981

10 Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB142,045,000 for the year ended 31 December 2014 (2013: RMB150,901,000) and the weighted average number of 883,534,000 ordinary shares in issue (2013: 700,000,000 ordinary shares).

	2014 RMB'000	2013 RMB'000
Ordinary shares at 1 January	700,000	700,000
Effect of issuance of shares upon initial public offering (note 24(c))	183,534	—
Weighted average number of ordinary shares at 31 December	883,534	700,000

(b) Diluted earnings per share

The Company did not have any potential dilutive shares throughout the year (2013: Nil). Accordingly, diluted earnings per share is the same as basic earnings per share.

11 Vehicles and Equipment

The Group

	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:			
At 1 January 2013	6,614	4,847	11,461
Additions	1,212	2,320	3,532
Disposals	—	(120)	(120)
At 31 December 2013 and 1 January 2014	7,826	7,047	14,873
Additions	759	1,453	2,212
Disposals	(351)	(360)	(711)
At 31 December 2014	8,234	8,140	16,374
Accumulated depreciation:			
At 1 January 2013	3,710	2,489	6,199
Charge for the year	858	870	1,728
Written back on disposals	—	(109)	(109)
At 31 December 2013 and 1 January 2014	4,568	3,250	7,818
Charge for the year	1,005	1,197	2,202
Written back on disposals	(244)	(49)	(293)
At 31 December 2014	5,329	4,398	9,727
Net book value:			
At 31 December 2014	2,905	3,742	6,647
At 31 December 2013	3,258	3,797	7,055

11 Vehicles and Equipment (Continued)

The Company

	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:			
At 1 January 2013	1,699	1,204	2,903
Additions	—	388	388
At 31 December 2013 and 1 January 2014	1,699	1,592	3,291
Additions	—	97	97
Disposals	(189)	(1)	(190)
At 31 December 2014	1,510	1,688	3,198
Accumulated depreciation:			
At 1 January 2013	1,455	719	2,174
Charge for the year	36	168	204
At 31 December 2013 and 1 January 2014	1,491	887	2,378
Charge for the year	34	206	240
Written back on disposals	(90)	(1)	(91)
At 31 December 2014	1,435	1,092	2,527
Net book value:			
At 31 December 2014	75	596	671
At 31 December 2013	208	705	913

12 Intangible Assets

The Group

	Computer software RMB'000	Waste-to-energy project operating rights RMB'000	Construction license RMB'000	Total RMB'000
Cost:				
At 1 January 2013	296	1,034,505	—	1,034,801
Additions				
— through acquisition of a subsidiary	—	—	6,529	6,529
— others	261	408,843	—	409,104
Exchange adjustments	—	(383)	—	(383)
At 31 December 2013 and 1 January 2014	557	1,442,965	6,529	1,450,051
Additions	—	319,371	—	319,371
Exchange adjustments	—	118	—	118
At 31 December 2014	557	1,762,454	6,529	1,769,540
Accumulated amortisation:				
At 1 January 2013	58	69,274	—	69,332
Charge for the year	51	34,894	—	34,945
At 31 December 2013 and 1 January 2014	109	104,168	—	104,277
Charge for the year	57	56,269	162	56,488
Impairment loss	—	10,869	—	10,869
Exchange adjustment	—	80	—	80
At 31 December 2014	166	171,386	162	171,714
Net book value:				
At 31 December 2014	391	1,591,068	6,367	1,597,826
At 31 December 2013	448	1,338,797	6,529	1,345,774

12 Intangible Assets (Continued)

The Company

	Computer software RMB'000
Cost:	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	203
Accumulated amortisation:	
At 1 January 2013	23
Charge for the year	20
At 31 December 2013 and 1 January 2014	43
Charge for the year	21
At 31 December 2014	64
Net book value:	
At 31 December 2014	139
At 31 December 2013	160

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

For those waste-to-energy projects which have not yet commenced operation, the Group assess the recoverable amount of each operating right at the end of each year. At 31 December 2014, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required (2013: nil).

For those waste-to-energy projects which have commenced operation, the Group assess the recoverable amount of each operating right when there is an impairment indication. In 2014, Rushan Dynagreen suffered operating loss since its operation starting from the end of 2013. The accumulated operating loss was resulted from the unexpected low quantity of waste available to process. At 31 December 2014, the Group provided an impairment loss of RMB10,869,000 on the operating right of Rushan Dynagreen (2013: nil). As the net book value of the operating rights has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

12 Intangible Assets (Continued)

The recoverable amounts of each operating right are determined based on value-in-use calculations. The Group assessed the recoverable amounts of calculations use cash flow projections based on financial budgets covering each specific operating period. The cash flows are discounted using a discount rate of 8.15%–9.60% (2013: 9.60%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operating rights.

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

13 Investments in Subsidiaries

	The Company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**1,708,012**	1,267,775

At 31 December 2014, the Company has direct and indirect interests in the following entities and the particulars of which are set out below:

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal Activities
Haining Dynagreen Renewable Energy Co., Ltd. (i) (海寧綠色動力再生能源有限公司) (ii)	PRC 15 March 2004	RMB90,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plan
Taizhou Dynagreen Renewable Energy Co., Ltd. (i) (泰州綠色動力再生能源有限公司) (ii)	PRC 2 November 2009	RMB180,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Qingdao Dynagreen Renewable Energy Co., Ltd. (i) (青島綠色動力再生能源有限公司) (iii)	PRC 23 September 2005	HKD93,500,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant

(Expressed in Renminbi)

13 Investments in Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal Activities
Wuhan Dynagreen Renewable Energy Co., Ltd. (i) (武漢綠色動力再生能源有限公司) (ii)	PRC 15 September 2006	RMB129,480,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Yongjia Dynagreen Renewable Energy Co., Ltd. (i) (永嘉綠色動力再生能源有限公司) (ii)	PRC 1 February 2010	RMB100,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Pingyang Dynagreen Renewable Energy Co., Ltd. (i) (平陽綠色動力再生能源有限公司) (ii)	PRC 6 April 2010	RMB100,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Rushan Dynagreen Renewable Energy Co., Ltd. (i) (乳山綠色動力再生能源有限公司) (ii)	PRC 25 October 2010	RMB100,880,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd (i) (常州綠色動力環保熱電有限公司) (iv)	PRC 31 December 2005	RMB138,400,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Beijing Dynagreen Environmental Protection Research Institute Co., Ltd. (i) (北京綠色動力環保技術研究院有限公司) (ii)	PRC 7 December 2010	RMB5,000,000	100%	—	Conduct of environmental protection research projects
Zhangqiu Dynagreen Renewable Energy Co., Ltd. (i) (章丘綠色動力再生能源有限公司) (ii)	PRC 16 February 2012	RMB120,880,000	100%	—	Design, construction, operation and management of waste-to-energy power plant

(Expressed in Renminbi)

13 Investments in Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal Activities
Anshun Dynagreen Renewable Energy Co., Ltd. (i) (安順綠色動力再生能源有限公司) (ii)	PRC 18 May 2012	RMB100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Jurong Dynagreen Renewable Energy Co., Ltd. (i) (句容綠色動力再生能源有限公司) (ii)	PRC 24 September 2012	RMB100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Pingyao Dynagreen Renewable Energy Co., Ltd. (i) (平遙縣綠色動力再生能源有限公司) (ii)	PRC 14 November 2012	RMB20,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Huizhou Dynagreen Environment Co., Ltd. (i) (惠州綠色動力環保有限公司) (ii)	PRC 19 December 2012	RMB220,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Tianjin Dynagreen Renewable Energy Co., Ltd. (i) (天津綠色動力再生能源有限公司) (iii)	PRC 6 June 2013	RMB100,000,000	60%	40%	Design, construction, operation and management of waste-to-energy power plant
Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司)	Hong Kong 30 June 2005	HKD 126,733,000	100%	—	Investment holding
Tianjin Dynagreen Environmental Energy Co., Ltd. (i) (天津綠動環保能源有限公司) (ii)	PRC 13 November 2013	RMB40,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant

(Expressed in Renminbi)

13 Investments in Subsidiaries (Continued)

Name of company	Place and date of establishment/ incorporation	Issued and paid up/registered capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal Activities
Zhejiang Dongyang Fuli Construction Limited Company (i) ("Fuli") (浙江省東陽市富力建設有限公司) (ii)	PRC 15 December 2011	RMB20,800,000	100%	—	Provision of construction service
Beijing Dynagreen Environment Co., Ltd. (i) (北京綠色動力環保有限公司) (ii)	PRC 21 February 2014	RMB20,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Hongan Dynagreen Renewable Energy Co., Ltd. (i) (紅安綠色動力再生能源有限公司) (ii)	PRC 02 July 2014	RMB5,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Longhui Dynagreen Renewable Energy Co., Ltd. (i) (隆回綠色動力再生能源有限公司) (ii)	PRC 22 September 2014	RMB5,000,000/ RMB100,000,000	100%	—	Design, construction, operation and management of waste-to-energy power plant
Shantou Dynagreen Renewable Energy Co., Ltd. (i) (汕頭市綠色動力再生能源有限公司) (iii)	PRC 29 December 2014	—/ RMB160,000,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant

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

(ii) These are registered under the law of the PRC as domestic companies.

(iii) These are registered under the law of the PRC as Sino-foreign equity joint ventures.

(iv) This is registered under the law of the PRC as Sino-foreign co-operation joint ventures.

14 Investment in an Associate

The Group

	2014 RMB'000	2013 RMB'000
Share of net assets	3,500	3,500

The Company

	2014 RMB'000	2013 RMB'000
Unlisted capital contribution, at cost	3,500	3,500

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

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of establishment and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal Activity
Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. (北京天能神創環保有限公司)	Established	PRC	RMB10,000,000	35%	35%	—	Provision of waste treatment service and conduct of technology development

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

14 Investment in an Associate (Continued)

(ii) Summarised financial information of the associate and reconciled to the carrying amounts in the consolidated financial statements are disclosed below:

	2014 RMB'000	2013 RMB'000
Gross amounts of the associate's		
Current assets	9,998	9,998
Current liabilities	—	—
Equity	9,998	9,998
Profit and total comprehensive income	—	1
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	9,998	9,998
Group's effective interest	35%	35%
Group's share of net assets and carrying amount in the consolidated financial statements	3,500	3,500

15 Gross Amounts Due from Customers for Contract Work

The Group

	2014 RMB'000	2013 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	1,604,840	1,106,199
Less: Progress billings	(27,117)	(18,427)
Net contract work	1,577,723	1,087,772

	2014 RMB'000	2013 RMB'000
Representing:		
Gross amounts due from customers for contract work		
— Non-current	1,566,826	1,078,144
— Current	10,897	9,628
	1,577,723	1,087,772

15 Gross Amounts Due from Customers for Contract Work (Continued)

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

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

Revenue relates to the construction services provided in constructing the waste-to-energy projects is recognised as "Gross amounts due from customers for contract work" and "Waste-to-energy project operating rights" in the consolidated financial statements according to accounting policies as set out in notes 1(g)(i) and 1(l).

"Gross amounts due from customers for contract work" mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging from 6.61% to 7.87% per annum for the year ended 31 December 2014 (2013: 6.61% to 7.71%). Among the total of RMB1,577,723,000 (2013: RMB1,087,772,000), RMB1,170,518,000 (2013: RMB1,077,824,000) relates to BOT arrangements with operation commenced. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

16 Inventories

The Group

	2014 **RMB'000**	2013 RMB'000
Spare parts	**7,322**	6,021

17 Trade and Other Receivables

The Group

	2014 RMB'000	2013 RMB'000
Trade receivables	108,375	68,896
Less: Allowance for doubtful debts (note 17(b))	(350)	(301)
	108,025	68,595
Prepayments for construction	120,604	78,013
Other receivables, deposits and prepayments	253,362	230,598
	481,991	377,206
Less: Non-current portion — Other receivables	(154,425)	(167,357)
	327,566	209,849

The Company

	2014 RMB'000	2013 RMB'000
Trade receivables		
— from subsidiaries	7,155	—
— from third parties	5,075	5,075
Less: Allowance for doubtful debts (note 17(b))	(238)	(238)
	11,992	4,837
Other receivables, deposits and prepayments	49,230	22,264
Other receivables from subsidiaries	484,190	233,000
	545,412	260,101
Less: Non-current portion — Other receivables	(479,632)	(233,000)
	65,780	27,101

17 Trade and Other Receivables (Continued)

Included in "Other receivables, deposits and prepayments" of the Group, retention receivables of RMB16,000,000 as at 31 December 2014 (2013: RMB30,000,000) are expected to be recovered after more than one year, which are related to the BOT construction.

Included in "Other receivables, deposits and prepayments" of the Group, RMB47,736,000 as at 31 December 2014 (2013: RMB33,623,000) bear interest at rates ranging from 6.61% to 7.87% (2013: 6.61% to 7.71%) per annum and represent finance income receivables under BOT arrangements. The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

Included in "Non-current portion — Other receivables" and "Other receivables, deposits and prepayments" of the Group, RMB143,375,000 as at 31 December 2014 (2013: RMB152,067,000) were unsecured, interest-bearing at 0.74% per annum, due from an unrelated party and will be repaid by instalments until 2020.

Included "Non-current portion — Other receivables" of the Company, RMB479,190,000 as at 31 December 2014 (2013: RMB233,000,000) were entrusted loans to the subsidiaries which were unsecured, interest-bearing at rates ranging from 6.00% to 6.55% (2013: 6.15% to 6.55%) per annum and will be repaid by instalments until 2023.

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

(a) Ageing analysis

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

The Group

	2014 **RMB'000**	2013 RMB'000
Within 1 month	**70,011**	53,057
More than 1 month but within 3 months	**17,952**	7,045
More than 3 months but within 6 months	**8,100**	718
More than 6 months	**11,962**	7,775
	108,025	68,595

17 Trade and Other Receivables (Continued)

(a) Ageing analysis (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Within 1 month	4,365	—
More than 1 month but within 3 months	958	1,270
More than 3 months but within 6 months	1,832	718
More than 6 months	4,837	2,849
	11,992	4,837

Trade receivables are due between 10 days to 30 days from the date of billing. Further details on the Group's credit policy are set out in note 25(a).

(b) Impairment of trade receivables

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

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

The Group

	2014 RMB'000	2013 RMB'000
At 1 January	301	477
Impairment loss recognised/(reversed)	49	(176)
At 31 December	350	301

17 Trade and Other Receivables (Continued)

(b) Impairment of trade receivables (Continued)

The Company

	2014 RMB'000	2013 RMB'000
At 1 January	238	238
Impairment loss recognised	—	—
At 31 December	238	238

The Group's trade receivables of RMB7,312,000 and the Company's trade receivables of RMB5,075,000 as at 31 December 2014 (2013: RMB6,337,000 and RMB5,075,000) were individually determined to be impaired. The individually impaired receivables related to certain long-aged receivables and management assessed that a portion of such receivables might not be recovered based on management's experience. Consequently, specific allowances for doubtful debts of RMB350,000 and RMB238,000 were recognised for the Group and the Company as at 31 December 2014 (2013: RMB301,000 and RMB238,000).

(c) Trade receivables that are not impaired

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

The Group

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	73,698	49,859
More than 1 month but within 3 months past due	17,952	6,777
More than 3 months but within 6 months past due	8,100	997
More than 6 months but within 1 year past due	—	4,926
More than 1 year past due	1,313	—
Amounts past due	27,365	12,700
	101,063	62,559

17 Trade and Other Receivables (Continued)

(c) Trade receivables that are not impaired (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Neither past due nor impaired	7,155	—

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

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

18 Restricted Deposits

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

19 Cash and Cash Equivalents

Cash and cash equivalents comprise:

The Group

	2014 RMB'000	2013 RMB'000
Deposits with banks	762,312	502,124
Cash in hand	44	43
	762,356	502,167

19 Cash and Cash Equivalents (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Deposits with banks	551,803	88,410

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

20 Loans and Borrowings

At 31 December 2014, the loans and borrowings were repayable as follows:

The Group

	2014 RMB'000	2013 RMB'000
Within 1 year or on demand	551,361	410,023
After 1 year but within 2 years	113,961	348,049
After 2 years but within 5 years	486,049	446,315
After 5 years	439,996	505,061
	1,040,006	1,299,425
	1,591,367	1,709,448

20 Loans and Borrowings (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Within 1 year or on demand	**462,063**	293,320
After 1 year but within 2 years	**29,750**	211,320
After 2 years but within 5 years	**199,854**	37,527
After 5 years	**299,163**	166,161
	528,767	415,008
	990,830	708,328

At 31 December 2014, the loans and borrowings were secured as follows:

The Group

	2014 RMB'000	2013 RMB'000
Bank loans		
— secured (note 20(a))	**535,160**	896,343
— unsecured (note 20(b))	**1,056,207**	613,105
	1,591,367	1,509,448
Unsecured entrusted loans from an equity shareholder	**—**	200,000
	1,591,367	1,709,448

20 Loans and Borrowings (Continued)

The Company

	2014 RMB'000	2013 RMB'000
Unsecured entrusted loans		
— from equity an shareholder	—	200,000
— from subsidiaries	95,000	13,000
	95,000	213,000
Unsecured bank loans	895,830	495,328
	990,830	708,328

(a) Secured bank loans

Banking facilities of the Group amounting to RMB756,069,000 as at 31 December 2014 (2013: RMB933,940,000) were secured by certain receivables and operating rights in connection with the Group's service concession arrangements. Details of the secured assets are set out below:

The Group

	2014 RMB'000	2013 RMB'000
Intangible assets	980,389	1,173,214
Gross amounts due from customers for contract work	867,681	956,943
Trade and other receivables	90,468	85,856
	1,938,538	2,216,013

Apart from the above, the Company's investment in Rushan Dynagreen of RMB100,880,000 was pledged for the long-term bank loans borrowed by Rushan Dynagreen as at 31 December 2014 (2013: RMB100,880,000).

At 31 December 2014, such banking facilities were utilised to the extent of RMB535,160,000 (2013: RMB896,343,000).

20 Loans and Borrowings (Continued)

(b) Unsecured bank loans

Unsecured banking facilities of the Group amounting to RMB622,990,000 as at 31 December 2014 (2013: RMB622,900,000) were guaranteed by an equity shareholder of the Group. Such banking facilities were granted for a period of 10 years, which would be due in April 2023. At 31 December 2014, such banking facilities were utilised to the extent of RMB455,000,000 (2013: RMB205,000,000).

(c) Fulfillment of covenants

All the Group's unsecured banking facilities are subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the Group shall indemnify each lender against any cost, loss or liability incurred by such lender (including any loss of margin) within three business days of demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). At 31 December 2014, none of the covenants relating to drawn down facilities had been breached (2013: nil).

21 Trade and Other Payables

The Group

	2014 RMB'000	2013 RMB'000
Trade payables	534,332	327,849
Other payables and accruals	73,676	50,072
	608,008	377,921
Less: Non-current portion — trade payables	(275,850)	(168,218)
	332,158	209,703

The Company

	2014 RMB'000	2013 RMB'000
Amounts due to subsidiaries	76,052	10,000
Other payables and accruals	34,215	14,324
	110,267	24,324

21 Trade and Other Payables (Continued)

Included in "Trade payables" and "Non-current — portion trade payables", RMB282,966,000 as at 31 December 2014 (2013: RMB173,537,000) were unsecured, interest-bearing ranging from 5.94% to 8.60% per annum (2013: 5.94% to 7.05%), due to unrelated suppliers and will be repaid by instalments during the service concession period of the Group's respective BOT arrangements, among which RMB275,850,000 were not expected to be settled within one year (2013: RMB168,218,000).

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

An ageing analysis of the trade payables is as follows:

The Group

	2014 RMB'000	2013 RMB'000
Due within 1 month or on demand	215,949	145,095
Due after 1 month but within 3 months	1,708	1,207
Due after 3 months but within 6 months	6,804	8,071
Due after 6 months but within 9 months	5,049	2,983
Due after 9 months but within 12 months	28,972	2,275
Due after 12 months	275,850	168,218
	534,332	327,849

22 Employee Retirement Benefits

Defined contribution retirement plans

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

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

23 Income Tax in the Statements of Financial Position

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

The Group

	2014 RMB'000	2013 RMB'000
Provision for PRC income tax	33,294	23,696
Provisional PRC income tax paid	(10,479)	(15,394)
	22,815	8,302

The Company

	2014 RMB'000	2013 RMB'000
Provision for PRC income tax	—	7,755
Provisional PRC income tax paid	—	(7,755)
	—	—

(b) Deferred tax assets and liabilities recognised

(i) **The Group**

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

Deferred tax arising from:	**Temporary differences on operating rights** RMB'000	**Tax losses** RMB'000	**Total** RMB'000
At 1 January 2013	34,119	(1,058)	33,061
Charged/(credited) to profit or loss	13,090	(2,760)	10,330
At 31 December 2013 and 1 January 2014	47,209	(3,818)	43,391
Charged to profit or loss	17,355	851	18,206
At 31 December 2014	64,564	(2,967)	61,597

23 Income Tax in the Statements of Financial Position (Continued)

(b) Deferred tax assets and liabilities recognised (Continued)

(ii) **The Company**

Deferred tax arising from:

	Tax losses RMB'000
At 31 December 2013 and 1 January 2014	—
Charged to profit or loss	1,038
At 31 December 2014	1,038

(iii) Reconciliation to the statements of financial position:

The Group

	2014 **RMB'000**	2013 RMB'000
Net deferred tax assets recognised in the statement of financial position	**(1,038)**	—
Net deferred tax liability recognised in the statement of financial position	**62,635**	43,391
	61,597	43,391

The Company

	2014 **RMB'000**	2013 RMB'000
Net deferred tax assets recognised in the statement of financial position	**1,038**	—

23 Income Tax in the Statements of Financial Position (Continued)

(c) Deferred tax assets not recognised:

The Group

The Group have not recognised deferred tax assets in respect of the following items.

	2014 RMB'000	2013 RMB'000
Deductible temporary differences arising from impairment of other receivables	21,621	10,930
Tax losses (i)	22,831	1,383
	44,452	12,313

The Company

	2014 RMB'000	2013 RMB'000
Deductible temporary differences arising from impairment of other receivables and long-term investment	6,151	6,151

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

The Group

	2014 RMB'000	2013 RMB'000
In December 2015	72	28
In December 2016	—	2
In December 2017	—	293
In December 2018	3,951	1,060
In December 2019	18,808	—
	22,831	1,383

23 Income Tax in the Statements of Financial Position (Continued)

(d) Deferred tax liabilities not recognised

Temporary differences relating to the undistributed profits of the Group's subsidiaries with investment from Blue-ocean Environment Investment Holding Company Limited amounted to RMB39,219,000 as at 31 December 2014 (2013: RMB35,145,000). Deferred tax liabilities of RMB3,922,000 as at 31 December 2014 (2013: RMB3,515,000) have not been recognised in respect of the withholding tax that would be payable on distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

24 Capital, Reserves and Dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	**Capital** RMB'000	**Share Premium** RMB'000	**Capital reserve** RMB'000	**Statutory reserve** RMB'000	**Retained profits** RMB'000	**Total** RMB'000
At 1 January 2013		700,000	—	70,977	7,396	57,853	836,226
Total comprehensive income for the year		—	—	—	—	71,981	71,981
Appropriation to statutory reserve	24(d)(iii)	—	—	—	7,198	(7,198)	—
Dividends declared in respect of prior years	24(b)	—	—	—	—	(14,000)	(14,000)
At 31 December 2013		700,000	—	70,977	14,594	108,636	894,207
Total comprehensive income for the year		—	—	—	—	(679)	(679)
Appropriation to statutory reserve	24(d)(iii)	—	—	—	—	—	—
Share issued by share offer		345,000	548,950	—	—	—	893,950
Dividends declared in respect of prior years	24(b)	—	—	—	—	(70,000)	(70,000)
At 31 December 2014		1,045,000	548,950	70,977	14,594	37,957	1,717,478

24 Capital, Reserves and Dividends (Continued)

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

The directors do not propose the payment of final dividends for 2014 (2013: Nil).

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial years, approved and paid during the year

	2014 RMB'000	2013 RMB'000
Final dividends paid to the equity shareholders of the Company in respect of the previous financial years, approved and paid during the year, of RMB1 per 10 shares (2013: RMB0.2 per 10 shares)	**70,000**	14,000

(c) Capital

Authorised and issued capital

	2014		2013	
	No. of shares ('000)	**Amount RMB'000**	No. of shares ('000)	Amount RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**700,000**	**700,000**	700,000	700,000
Shares issued upon initial public offering	**345,000**	**345,000**	—	—
At 31 December	**1,045,000**	**1,045,000**	700,000	700,000

On 19 June 2014, 300,000,000 ordinary shares with par value at RMB1 each were issued at a price of HK$3.45 per share under the initial public offering of the Company. Proceeds of RMB300,000,000 representing the par value of these ordinary shares, were credited to the Company's capital and the excess of the proceeds over the nominal value of the total number of ordinary shares issued after offsetting share issuance costs of RMB51,036,000, were credited to the share premium account of the Company. After the completion of the initial public offering, 354,859,792 shares of the Company were listed on The Stock Exchange of Hong Kong Limited as at 30 June 2014.

On 29 June 2014, the Company announced that the Over-allotment Option described in the Prospectus had been fully exercised by the sole global coordinator in respect of an aggregate of 45,000,000 additional ordinary shares. The ordinary shares were issued by the Company at HK$3.45 per share on 3 July 2014. The additional gross proceeds received by the Company on 3 July 2014 in connection with the over-allotment issue were approximately HK$155,250,000 (approximately RMB123,357,000), which were credited to the capital and share premium accounts. After the completion of the over-allotment, a total number of 404,359,792 shares of the Company were listed on The Stock Exchange of Hong Kong Limited.

24 Capital, Reserves and Dividends (Continued)

(d) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

(ii) Capital reserve

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

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

(iii) Statutory reserve

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

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

(iv) Translation reserve

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

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the provisions of Company Law of the PRC, were RMB37,957,000 (2013: RMB108,636,000).

24 Capital, Reserves and Dividends (Continued)

(f) Capital management

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

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

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

25 Financial Risk Management and Fair Values

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and gross amounts due from customers for contract work. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis.

Trade receivables of the Group represent receivables in respect of revenue from waste-to-energy project operation services which are settled on a monthly basis. Trade receivables are due within 10 days to 30 days from the date of billing. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis. There was no recent history of default in respect of the Group's trade receivables. Since most of the trade receivables are due from local government authorities and power grid companies in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral from customers.

25 Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

In addition, the Group has gross amounts due from customers for contract work and other receivables in respect of BOT and BT arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for contract work are set out in notes 15 and 17.

At 31 December 2014, trade and other receivables and gross amounts due from customers for contract work of the Group amounted to RMB2,059,714,000 (2013: RMB1,464,115,000), of which RMB254,024,000 (2013: RMB237,981,000) were due from the largest customer and RMB550,713,000 (2013: RMB574,675,000) were due from five largest customers in aggregate of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since the parties to BOT and BT arrangements are local government authorities in the PRC, the Group considers the credit risk is low.

(b) Liquidity risk

The company is responsible for the cash management of all the operating entities within the Group, including the raining of loans to cover expected cash demands, subject to approval by the company's board when the borrowings exceed certain predetermined levels of authority.

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors of the Company. The Group's policy is to regularly monitor liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

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

25 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Group

	Total contractual undiscounted cash flow					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014						
Trade and other payables	**339,228**	**33,006**	**90,592**	**596,530**	**1,059,356**	**608,008**
Loans and borrowings	**639,115**	**174,865**	**620,038**	**493,211**	**1,927,229**	**1,591,367**
	978,343	**207,871**	**710,630**	**1,089,741**	**2,986,585**	**2,199,375**
At 31 December 2013						
Trade and other payables	221,033	16,649	44,121	255,981	537,784	377,921
Loans and borrowings	514,907	435,459	608,935	589,162	2,148,463	1,709,448
	735,940	452,108	653,056	845,143	2,686,247	2,087,369

25 Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk (Continued)

The Company

	Total contractual undiscounted cash flow					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2014						
Other payables and accruals	**110,267**	**—**	**—**	**—**	**110,267**	**110,267**
Loans and borrowings	**560,367**	**58,083**	**270,749**	**344,132**	**1,233,331**	**990,830**
	670,634	**58,083**	**270,749**	**344,132**	**1,343,598**	**1,101,097**
Financial guarantees issued: Maximum amount Guaranteed (note 27)	**620,537**	**—**	**—**	**—**	**620,537**	**—**
At 31 December 2013						
Other payables and accruals	24,324	—	—	—	24,324	24,324
Loans and borrowings	330,408	238,918	75,721	197,817	842,864	708,328
	354,732	238,918	75,721	197,817	867,188	732,652
Financial guarantees issued: Maximum amount Guaranteed (note 27)	881,621	—	—	—	881,621	—

As shown in the table above, loans and borrowings of the Group and the Company accounting to RMB639,115,000 and RMB560,367,000 respectively were due to be repaid during 2015.

25 Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

(i) Interest rate profile

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

The Group

	2014 Effective interest rate	2014 Amount RMB'000	2013 Effective interest rate	2013 Amount RMB'000
Net fixed rate receivables				
Loans and borrowings	6.00%–7.76%	505,000	5.60%–7.20%	495,000
Trade payables	—	—	5.94%–7.05%	173,537
Less: Restricted deposits	3.00%	(15,000)	3.00%	(15,000)
Gross amounts due from customers from contract work	1.50%–7.87%	(1,577,723)	1.50%–7.71%	(1,087,772)
Other receivables	0.74%–7.87%	(195,325)	0.74%–7.71%	(185,690)
		(1,283,048)		(619,925)
Net variable rate borrowings				
Loans and borrowings	6.15%–6.77%	1,086,367	5.18%–7.21%	1,214,448
Less: Deposits with banks	0.35%	(762,312)	0.35%–0.39%	(502,124)
Restricted deposits	0.35%	(8,814)	0.39%	(6,000)
		315,241		706,324
Total net (receivables)/ borrowings		(967,807)		86,399

25 Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile (Continued)

The Company

	2014 Effective interest rate	2014 Amount RMB'000	2013 Effective interest rate	2013 Amount RMB'000
Net fixed rate borrowings				
Loans and borrowings	5.18%–6.96%	540,000	5.60%–7.20%	508,000
Less: Entrusted loan receivables from a subsidiary	6.00%	(5,000)	–	–
		535,000		508,000
Net variable rate receivables				
Loans and borrowings	6.00%	450,830	5.18%–6.96%	200,328
Less: Deposits with banks	0.35%	(551,803)	0.35%–0.39%	(88,410)
Restricted deposits	0.35%	(8,000)	0.39%	(6,000)
Entrusted loan receivables from subsidiaries	6.00%–6.55%	(479,190)	6.15%–6.55%	(233,000)
		(588,163)		(127,082)
Total net (receivables)/ borrowings		(53,163)		380,918

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately RMB2,580,000 (2013: RMB5,521,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense or income that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2013.

25 Financial Risk Management and Fair Values (Continued)

(d) Currency risk

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

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2014.

(f) Estimation of fair value

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

(i) Gross amounts due from customers for contract work

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

(ii) Trade and other receivables

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

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

(iii) Loans and borrowings and trade payables

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

26 Commitments

(a) The Group had outstanding purchase commitments in connection with the Group's construction contracts not provided for in the consolidated financial statements of RMB515,280,000 at 31 December 2014 (2013: RMB132,528,000).

(b) The Group and the Company had outstanding capital commitment relating to the acquisition of Blue-Ocean Environment Investment Holding Company from an equity shareholder of the Company not provided for in the consolidated financial statements of RMB0 as at 31 December 2014 (2013: RMB57,176,400).

(c) The Group and the Company had outstanding capital commitment in connection with the capital contribution to the associate, Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. not provided for in the consolidated financial statements of RMB14,000,000 as at 31 December 2014 (2013: RMB14,000,000).

(d) Operating leases commitments

At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

The Group

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**3,511**	430
After 1 year but within 5 years	**1,004**	—
	4,515	430

The Company

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**2,552**	367
After 1 year but within 5 years	**425**	—
	2,977	367

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

27 Contingent Liabilities

As at 31 December 2014, the Company has issued financial guarantees to banks in respect of the banking facilities granted to certain subsidiaries. The directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2014 under the guarantees issued is the facility drawn down by the subsidiaries of RMB620,537,000 (2013: RMB881,621,000).

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

28 Material Related Party Transactions

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

(a) Transactions with related parties

The Group

	2014 RMB'000	2013 RMB'000
Entrusted loan from an equity shareholder	**—**	200,000
Interest paid to equity shareholders	**3,080**	14,749
Guarantee provided by an equity shareholder in respect of banking facilities granted to the Company (note 20(b))	**—**	622,990
Management fee to Zhengyuan*	**1,000**	1,000
Service fee to Zhengyuan	**1,268**	823
Heating service income from Zhengyuan	**—**	31
Collection of slag processing fee on behalf of Zhengyuan	**2,782**	1,493

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

28 Material Related Party Transactions (Continued)

(b) Key management personnel compensation

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

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	8,157	6,876
Contributions to defined contribution retirement plans	175	168
Total	8,332	7,044

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

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

The related party transactions with Zhengyuan above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

29 Immediate and Ultimate Controlling Party

The directors consider the immediate parent and ultimately controlling party as at 31 December 2013 and 2014 to be Beijing State-owned Assets Management Co., Ltd (北京市國有資產經營有限責任公司).

(Expressed in Renminbi)

30 Possible Impact of Amendments, New Standards and Interpretations Issued but Not Yet Effective for the Year Ended 31 December 2014

Up to the date of issue of these financial statements, the IASB has issued a few amendments and new standards which are not yet effective for the year ended December 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 19, *Defined benefit plans: Employee contributions*	1 July 2014
Annual improvements to IFRSs 2010–2012 cycle	1 July 2014
Annual improvements to IFRSs 2011–2013 cycle	1 July 2014
Amendments to IFRSs 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
IAS 15, *Revenue from contracts with customers*	1 January 2017
IAS 9, *Financial instruments*	1 January 2018

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