Annual Report 2015

Beijing Development (Hong Kong) Limited

(Stock Code 154)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors:
Mr. E Meng *(Chairman)*
Mr. Ke Jian *(Vice Chairman and Chief Executive Officer)*
Ms. Sha Ning *(Vice President)*
Ms. Qin Xuemin *(Vice President)*
Mr. Ng Kong Fat, Brian

Independent non-executive directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

AUDIT COMMITTEE

Dr. Huan Guocang *(Chairman)*
Dr. Jin Lizuo
Dr. Wang Jianping

REMUNERATION COMMITTEE

Dr. Jin Lizuo *(Chairman)*
Mr. E Meng
Dr. Huan Guocang
Dr. Wang Jianping

NOMINATION COMMITTEE

Mr. E Meng *(Chairman)*
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping

COMPANY SECRETARY

Mr. Wong Kwok Wai, Robin

AUTHORISED REPRESENTATIVES

Mr. Ng Kong Fat, Brian
Mr. Wong Kwok Wai, Robin

REGISTERED OFFICE

66th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

WEBSITE

http://www.bdhk.com.hk

STOCK CODE

154

SHARE REGISTRARS

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

AUDITORS

Ernst & Young

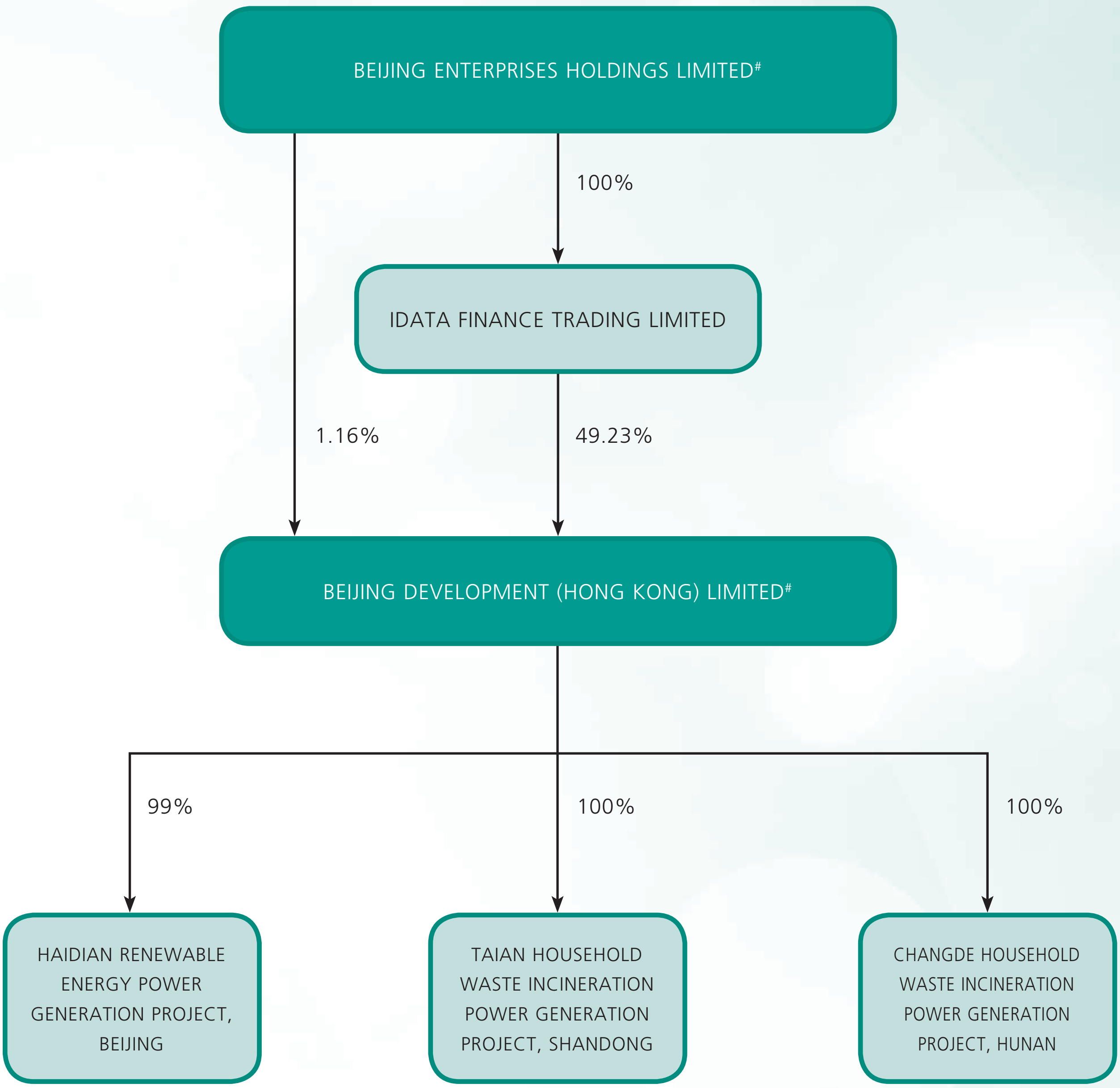
PRINCIPAL BANKERS

In Hong Kong:
Bank of China (Hong Kong)

In Mainland China:
Agricultural Bank of China
Bank of Beijing
Bank of China
China Construction Bank
China Minsheng Bank
Huaxia Bank
Industrial Bank

CORPORATE STRUCTURE

31 March 2016



Listed on the Main Board of The Stock Exchange of Hong Kong Limited

CHAIRMAN'S STATEMENT

The solid waste treatment market is huge and promising, and can generate social benefits together with stable and sustainable cash flow. In 2014, the Company is carrying out its overall strategic plan under which the Company placed its focus on solid waste treatment business through strategic transformation. At the end of April 2014, the Company completed the acquisitions of two household waste incineration power generation projects which were operating in Taian, Shandong Province and Changde, Hunan Province with a total waste treatment capacity of 2,000 tonnes/day and has provided stable cash flow so as to improve the overall financial results of the Company over the past two financial years. In addition, at the end of December 2014, the Company entered into a licensed operation agreement in relation to the signatory waste incineration power generation project in Haidian District, Beijing with a waste treatment capacity of 2,500 tonnes/day. The project has contributed construction profit to the Company for 2015 and is expected to commence operations by the end of 2016. In aggregate, the waste treatment capacity of the aforesaid three household waste incineration power generation projects was 4,500 tonnes/day.

At the end of March 2016, the Group completed the disposals of the whole of its information technology business sector and towards a new milestone.

In order to enhance the development of solid waste treatment business, widen the source of income and further enhance the overall financial performance of the Company, the Company has been seeking for merger and acquisition opportunities in the industry with a view to solidifying the position of the Company in solid waste treatment industry, capturing larger market share and achieving "economies of scale".

On 31 March 2016, the Company entered into a sale and purchase agreement with Beijing Enterprises Holdings Limited ("BEHL", the controlling shareholder of the Company), pursuant to which the Company has conditionally agreed to acquire certain equity interests in five household waste treatment projects (namely Beijing Gaoantun Waste-To-Energy Project, Zhangjiagang Household Waste-To-Energy Plant Project, Ha'erbin Shuangqi Waste-To-Energy BOT Project, Jiangsu Shuyang Waste-To-Energy Plant Project, and Wenchang Household Waste-To-Energy Plant BOT Project, with current maximum solid waste treatment capacity in aggregate of 6,645 tonnes/day) and one hazardous and medical waste treatment project (namely Hunan Hengyang Hazardous Waste Treatment Project) from BEHL. The aggregate consideration will be RMB1.85 billion and will be satisfied by the issue of convertible bonds due in 2021 with the aggregate principal amount of HK$2.2023 billion. The aforesaid acquisition has not yet completed, and is subject to, inter alia, the approval by the independent shareholders of the Company at the extraordinary general meeting. Details may refer to the announcement released by the Company on 31 March 2016.

The acquisition is crucial for the Company to carry out its overall strategic plan, in line with the Company's business strategy of focusing on solid waste treatment business. In light of the premium quality of the target projects, the acquisition is a valuable opportunity to improve the Company's future revenue and benefits, and also in line with the strategic intent of 北京控股集團有限公司 to develop the Company into a flagship platform conducting solid waste treatment business, and will significantly increase the scale of business of the Company and the value of its shareholders accordingly.

In order to place it in a better position to identify itself as a member of BEHL with focus in the environmental protection industry, the Board proposes to change the name of the Company from "Beijing Development (Hong Kong) Limited" to "Beijing Enterprises Environment Group Limited", which is subject to, inter alia, the approval by the shareholders of the Company at the general meeting.

CHAIRMAN'S STATEMENT

Going forward, the Company would continuously seek for other potential investment and acquisition opportunities to enrich its existing business portfolio, targets to become an industry leader in solid waste treatment, and thereby on the whole facilitating the Company to develop on a virtuous and high-speed track.

On behalf of the Board, I would like to express my gratitude to all employees and partners from different sectors for their support to the Group over the past years and look forward to the future success of the Group's business transformation from which all shareholders will benefit.

E Meng
Chairman

Hong Kong
31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the strategic transformation in 2014, the Group has focused its resources on its solid waste treatment business.

During the year under review, the Changde Household Waste Incineration Power Generation Project (常德市生活垃圾焚燒發電項目, the "Changde Project"), in Hunan Province handled solid waste of 323,896 tonnes (full year of 2014: 304,425 tonnes) and generated electricity of 101.32 million kWh (full year of 2014: 90.33 million kWh), equivalent to the saving of approximately 67,000 tonnes of coal and reduction in CO_2 emission by approximately 176,000 tonnes. The Changde Project recorded a total revenue of HK$97.33 million (full year of 2014: HK$82.38 million) and contributed an EBITDA (excluding foreign exchange difference) of HK$55.92 million (full year of 2014: HK$42.28 million) and a net profit of HK$39.79 million (full year of 2014: HK$24.71 million).

The Taian Household Waste Incineration Power Generation Project (山東泰安生活垃圾焚燒發電項目, the "Taian Project") in Shandong Province handled solid waste of 338,602 tonnes (full year of 2014: 284,869 tonnes) and generated electricity of 60.86 million kWh (full year of 2014: 60.00 million kWh), equivalent to the saving of approximately 62,000 tonnes of coal and reduction in CO_2 emission by approximately 162,000 tonnes. The Taian Project recorded a total revenue of HK$71.51 million (full year of 2014: HK$72.03 million) and contributed an EBITDA (excluding foreign exchange difference) of HK$17.35 million (full year of 2014: HK$26.38 million) and a net profit of HK$2.24 million (full year of 2014: HK$5.17 million). The decrease in net profit and EBITDA was mainly due to impairment of long aged trade and other receivables of approximately HK$7.72 million during the year.

The Beijing Haidian District Cyclic Economy Industrial Park Renewable Energy Power Generation Plant PPP Project (北京市海澱區循環經濟產業園再生能源發電廠PPP項目, the "Haidian Project") is still in the construction stage. The Haidian Project has built up a working team of 60 employees for its facilities installation and testing. In addition, the Group has established a joint venture with Suez Environnement, a world leader exclusively dedicated to waste management, for providing innovative solutions to the Group's solid waste treatment business and technical monitoring services to the Haidian Project. During the year under review, it has recognised revenue of HK$1,077.87 million and gross profit of HK$26.86 million from the provision of construction services.

During the year under review, the existing information technology business of the Group has generated a total revenue of HK$219.96 million (2014: HK$239.99 million) and driven a minimal net operating profit contribution of HK$0.85 million to the Group. The Group's disposal of its information technology business was in progress. During the year, a net gain of HK$10.94 million was generated from the disposal of a subsidiary engaged in the operation of electronic payment cards in Mainland China. The disposals of the remaining subsidiaries engaged in the system integration, software development and total education solutions in Mainland China were completed in March 2016 and a net gain of approximately HK$70 million is expected to be realised in 2016.

BUSINESS PROSPECTS

The Changde Project and the Taian Project have been operating smoothly and complied with all the relevant environmental regulations and standards in place. However, both projects have already reached their waste treatment capacities. In order to meet the increasing demand for waste treatment in Changde and Taian cities and the emission standards under the new environmental regulations, both projects have conducted complete overhauls and technological upgrade of their existing fluidised bed boilers. The Group has also coordinated with local governments for the feasibility studies of their second phase of construction of additional 600 tonnes/day grate firing boilers.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The Group is well prepared for the trial operation of the Haidian Project to be expected commencing in the second half of 2016. The Company believes that with the commencement of the business operation of the Haidian Project, a remarkable waste incineration plant in Beijing, shall further enlarge the earnings base of the Group.

In addition, the Group is intended for the acquisition of potential solid waste treatment business, and the relevant negotiation is currently underway. The Group aims to rapidly capture the market share of the solid waste treatment industry in Mainland China and create values for the shareholders.

FINANCIAL REVIEW

During the year under review, prior to the completion of the disposal of its information technology segment (which has been classified as a discontinued operation) in March 2016, the Group's continuing operations comprised (i) the solid waste treatment segment; and (ii) the corporate and others segment.

Continuing operations

Revenue and gross profit

During the year under review, the revenue was represented by the provision of solid waste treatment, sales of electricity and steam of the Changde Project and the Taian Project and the provision of construction services of the Haidian Project.

	12 months operation in 2015			8 months operation in 2014
	Changde and Taian Projects HK$ million	**Haidian Project** HK$ million	**Total** HK$ million	**Changde and Taian Projects** HK$ million
Revenue	168.84	1,077.87	1,246.71	108.52
Cost of sales	(110.93)	(1,051.01)	(1,161.94)	(75.09)
Gross profit	57.91	26.86	84.77	33.43
Gross profit margin	34.3%	2.5%	6.8%	30.8%

The total revenue of the Group was HK$1,246.71 million in 2015, increased by HK$1,138.19 million as compared with HK$108.52 million of last year. The increase was mainly contributed by the revenue from the provision of construction services recognised under the Haidian Project of HK$1,077.87 million during the year.

The Changde Project and the Taian Project contributed revenue of HK$168.84 million during the year and recorded an annualised growth rate of 9.3%. It comprised the provision of waste treatment services of HK$49.50 million (2014: HK$29.26 million) and sale of electricity and steam generated from waste incineration of HK$119.34 million (2014: HK$79.26 million).

Other income and gains, net

The Group's other income and gains in 2015 amounted to HK$52.83 million, as compared with HK$11.80 million in 2014. The other income and gains mainly comprised bank interest income of HK$11.38 million (2014: HK$11.41 million), foreign exchange gain of HK$27.22 million, and fair value gain on investment properties of HK$9.16 million.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Administrative expenses

The Group's administrative expenses in 2015 amounted to HK$31.25 million, decreased by HK$0.50 million as compared with HK$31.75 million in 2014. The administrative expenses allocated to the solid waste treatment segment was HK$13.30 million (2014: HK$9.00 million) and the corporate and others segment was HK$17.95 million (2014: HK$22.75 million).

Other operating expenses, net

The Group's other operating expenses in 2015 amounted to HK$10.49 million, as compared with HK$0.28 million in 2014. The other operating expenses mainly comprised the impairment of long aged trade and other receivables of HK$10.26 million.

Finance costs

The Group's finance costs in 2015 was wholly incurred from the convertible bonds subscribed by the immediate holding company of the Company, Idata Finance Trading Limited ("Idata"), of HK$11.35 million, increased by HK$7.12 million as compared with HK$4.23 million in 2014. The increase was result from the interest of convertible bonds with principal amount of HK$700.60 million issued at the end of December 2014.

Income taxes

The Group's income tax charge for 2015 comprised an income tax expense of HK$5.77 million (2014: HK$3.05 million) and a net deferred tax charge of HK$6.94 million (2014: credit of HK$1.65 million), totaling HK$12.71 million, and increased by HK$11.31 million as compared with HK$1.40 million in 2014.

Discontinued operation

The financial performance of the Group's information technology segment in 2015 has a moderate improvement. The segment revenue was HK$219.96 million, decreased by 8.3% as compared with HK$239.99 million in 2014. The other income and gains was HK$16.30 million (included a gain on disposal of a subsidiary of HK$10.94 million). Cost of sales and operating expenses were HK$224.84 million, decreased by 10.1% as compared with HK$250.04 million in 2014. The segment profit was HK$12.25 million, as compared with a loss of HK$2.38 million in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Profit for the year

Profit for the year amounted to HK$83.99 million, increased by HK$78.84 million as compared with HK$5.15 million in 2014. By excluding the abovementioned foreign exchange gain of HK$27.22 million, fair value gain on investment properties of HK$9.16 million and gain on disposal of a subsidiary included in the disposal groups of HK$10.94 million, the adjusted profit for the year amounted to HK$36.67 million, increased by HK$31.52 million as compared with 2014. The increase was resulted from the full year profit contribution from the Changde Project and the Taian Project (8 months for 2014) and the profit generated by the construction services from the Haidian Project of HK$20.14 million during the year.

	Profit for the year		**Profit for the year attributable to members of the Company**	
	2015 HK$ million	2014 HK$ million	**2015 HK$ million**	2014 HK$ million
Continuing operations				
– Solid waste treatment segment	**76.37**	25.00	**76.01**	25.01
– Corporate and others segment	**(4.63)**	(17.47)	**(4.52)**	(17.33)
	71.74	7.53	**71.49**	7.68
Discontinued operation				
– Information technology segment	**12.25**	(2.38)	**11.79**	(0.16)
	83.99	5.15	**83.28**	7.52

The EBITDA (excluding foreign exchange gain of HK$27.22 million) of the Group's continuing operations in 2015 was HK$92.78 million, increased by 219.7% as compared with HK$29.02 million in 2014. The Group's returns on total assets and net assets in 2015 were 1.97% (2014: 0.16%) and 4.00% (2014: 0.25%), respectively.

FINANCIAL POSITION

Investing activities

The Group has no acquisition of subsidiary engaged in the solid waste treatment business during the year under review. In May 2015, the Group has completed the second phase of registered capital injection of RMB107.256 million into its 99% equity owned subsidiary for the investment and operation of the Haidian Project.

In August 2015, the Group has completed the disposal of its 60% equity interest (with relevant shareholder's loan) in Business Net (Hong Kong) Limited and its subsidiary (the "BNHK Group") to an independent third party for a total cash consideration of HK$13 million. The BNHK Group was engaged in the operation of electronic payment cards business and has sustained an operating loss of HK$3.62 million during the 7 months ended 31 July 2015. A gain on disposal of HK$10.94 million was realised by the Group in 2015.

In March 2016, the Group has completed the disposal of its 72% equity interest (with relevant shareholder's loans) in B E Information Technology Group Limited and its subsidiaries (the "BEITG Group") to a fellow subsidiary, Beijing Enterprises Group Information Limited (a wholly-owned subsidiary of 北京控股集團有限公司, the ultimate holding company of the Company) for a total cash consideration of HK$126 million. The BEITG Group was engaged in the provision of system integration, software development and total education solutions services and has generated an operating profit of HK$6.69 million for the year. A profit on disposal of approximately HK$70 million is expected to be realised by the Group in 2016.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Financing activities

During the year ended 31 December 2015, the number of ordinary shares of the Company in issue has been increased by 3,300,000 to 1,499,360,150 upon the exercise of employees' share options.

Pursuant to the subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto) entered with Idata, as subscriber, the Company has totally raised HK$1,312 million for its environmental protection projects in 2013 and 2014. By the end of 2015, approximately HK$130 million has been utilised for the Changde Project and the Taian Project and approximately HK$393 million has been utilised for the Haidian Project. The remaining balance of approximately HK$789 million has been placed in a licensed bank in Hong Kong and will be allocated for the capital commitment and working capital of the Haidian Project.

Financial position

As at 31 December 2015, the Group's total assets increased by HK$1,072.60 million to HK$4,265.50 million (including those assets of disposal groups classified as held for sale of HK$342.19 million) and total liabilities increased by HK$1,034.57 million to HK$2,166.57 million (including those liabilities directly associated with assets classified as held for sale of HK$229.23 million) as compared with 31 December 2014. The increase in assets and liabilities was mainly resulted from the recognition of the operating concessions of HK$355.06 million, the receivables under services concession arrangement of HK$696.84 million and the related trade payables of HK$1,003.01 million for the construction of the Haidian Project. The Group's net assets increased by HK$38.04 million to HK$2,098.93 million, of which equity attributable to members of the Company amounted to HK$2,074.27 million as at 31 December 2015. The net asset value per share attributable to members of the Company was HK$1.38 (2014: HK$1.37).

Liquidity and financial resources

As at 31 December 2015, the cash and bank balances held by the Group (excluded the disposal groups) amounted to HK$1,862.37 million. During the year, net cash flows from operating activities amounted to HK$270.26 million and the net cash flows used in investing and financing activities amounted to HK$36.75 million and HK$2.82 million, respectively. As at 31 December 2015, the Company has convertible bonds subscribed by Idata with an aggregate principal amount of HK$791 million at an initial conversion price of HK$1.13 per share. The convertible bonds are unsecured, bear interest at 1% per annum and will be matured in February 2018.

As at 31 December 2015, except for the pledged deposits of HK$0.22 million in the disposal groups, the Group had no charge on its assets, did not have any bank borrowings, nor did it hold any financial derivatives. As at 31 December 2015, the Group had a net current assets of HK$944.81 million and its current ratio decreased from 7.56 times to 1.72 times and its total liabilities to assets ratio increased from 35.4% to 50.8% as a result of the progression of the Haidian Project.

The Group adopts a prudent approach in cash and financial management to ensure proper risk control and low costs of funds. The Group finances its daily operations of the existing business primarily with internally generated cash flow. When the Group comes across with acquisition or investment opportunities, the Group will first utilise the internal funding and arrange for project finance from financial institutions. Depending on its investment needs, the Group may also consider raising fund from the shareholders and potential investors of the Company in compliance with relevant statutory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

Foreign exchange risks

The Group's cash and bank balances were denominated as to 65% in Hong Kong dollars, 23% in Renminbi and 12% in United States dollars. The Group's businesses are principally located in Mainland China and the majority of its transactions are conducted in Renminbi. As the financial statements of the Group are presented in Hong Kong dollars, which is the Company's functional and presentation currency, the Group will be subject to translational foreign exchange risk. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss and the gains or losses arising on retranslation of foreign operations are recognised in the exchange fluctuation reserve. During the year ended 31 December 2015, the Group did not enter into any foreign currencies hedging arrangements.

Further details of the Group's financial risk management objectives and policies are disclosed in note 39 to the financial statements.

Capital expenditure and commitment and contingent liabilities

During the year ended 31 December 2015, the total capital expenditures of the Group amounted to HK$408.49 million. As at 31 December 2015, the Group had commitment of RMB92.5 million (equivalent to approximately HK$111.45 million) for the service concession arrangement. Saved as disclosed above, the Group did not have any material capital commitment and contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

	Number of employees		Total expenses on employee benefits	
	2015	2014	**2015 HK$ million**	2014 HK$ million
Continuing operations				
– Solid waste treatment segment	**258**	215	**27.63**	10.81
– Corporate and others segment	**24**	28	**7.12**	6.99
	282	243	**34.86**	17.80
Discontinued operation				
– Information technology segment	**194**	221	**39.78**	37.11
	476	464	**74.53**	54.91

The Group's employee remuneration policy and package are periodically reviewed by the management based on the employees' work performance, professional experiences and prevailing market practices. Discretionary bonuses are awarded to certain employees according to the assessment of individual performance, ensuring all staff are reasonable remunerated.

Being people-oriented, the Group continues to improve and regularly review and update its policies on staff benefits, training, occupational health and safety. The Group encourages and finances its employees to attend training courses in the fields of their job responsibilities. Work life balance is also emphasised. Regular sports and leisure events were organised to strengthen the bonding among employees.

MANAGEMENT DISCUSSION AND ANALYSIS *(CONTINUED)*

The Company operates a share option scheme for the Group's employees and directors. During the year ended 31 December 2015, 3,300,000 share options were exercised at an exercise price of HK$1.25 per share. No share option was granted, forfeited or lapsed during the year. As at 31 December 2015, the Company had 39,520,000 share options outstanding, which were granted on 21 June 2011 at an exercise price of HK$1.25 per share and represented approximately 2.6% of the Company's ordinary shares in issue as at 31 December 2015.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group maintains a good relationship with its customers. As the major customers of the Group are the regional electricity bureau in Mainland China, we have been continuing to communicate with them and ensure a more direct and immediate response to them. Each of the issue were analysed and studied and recommendations on remedies were made with the aim of improving service quality in the future.

The Group is in good relationship with its suppliers and conducts a fair and strict appraisal of its suppliers on an annual basis.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

For 2016 onward, newly issued Household Waste Incineration Pollution Control Standards（生活垃圾焚燒污染控制標準）is implemented and adopts a stricter guidelines in emissions and discharges. Upgrading of the existing facilities was performed. The Group is in compliance with international and national environmental standards and continues to make every effort to raise energy efficiency and minimise both energy consumption and pollutant discharge.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. E Meng, aged 57, is the chairman of the Company and also serves as the vice general manager and the chief financial officer of 北京控股集團有限公司 ("BEGCL"), an executive director and the executive vice president of Beijing Enterprises Holdings Limited ("BEHL", stock code: 392) and the vice chairman and an executive director of Beijing Enterprises Water Group Limited ("BE Water Group", stock code: 371) Mr. E graduated from China Science and Technology University with a master's degree in engineering and subsequently obtained an EMBA degree from The Hong Kong University of Science and Technology. He is a PRC senior accountant with the qualifications of PRC certified accountant, asset appraiser, certified real estate appraiser and tax appraiser. From 1988 to 1997, he was the deputy director of Beijing New Technology Development Zone and concurrently acting as the director of the Department of Financial Auditing, the general manager of Investment Operation Company, the chief accountant of Beijing Tianping Accounting Firm and the deputy director of the State-owned Assets Management Office of Beijing Haidian District. Mr. E formerly served as an independent non-executive director of New Silkroad Culturaltainment Limited (formerly named as JLF Investment Company Limited, stock code: 472) and has resigned in August 2015. Mr. E has extensive experience in economics, finance and enterprise management. Mr. E joined the Group in April 2001.

Mr. KE Jian, aged 47, is the vice chairman and the chief executive officer of the Company and also serves as a vice president of BEHL, an executive director of BE Water Group and the chairman of Beijing Enterprises Holdings Environment Technology Co., Ltd. ("BEHET", a wholly owned subsidiary of BEHL). Mr. Ke is a PRC Senior Accountant, Certified Tax Agent and Senior International Finance Manager and obtained a bachelor's degree in economics from Beijing College of Finance and Commerce and a MBA degree from Murdoch University, Australia. Mr. Ke joined the BEHL's Group since 1997 and has accumulated extensive experience in finance and corporate management. Mr. Ke joined the Group in August 2013.

Ms. SHA Ning, aged 45, is a vice president of the Company and also serves as an assistant president and the manager of finance department of BEHL. Ms. Sha graduated from the Business Faculty of Heilongjiang University in 1992, majored in Business and Economic Studies, and obtained a second degree in Foreign Trade Accounting in Beijing School of Business and Capital University of Economics and Business, an EMBA degree from The Hong Kong University of Science and Technology and the title of PRC Senior Accountant. Ms. Sha joined the BEHL's group since 2001 and has accumulated extensive experience in financial management. Ms. Sha joined the Group in March 2009.

Ms. QIN Xuemin, aged 57, is a vice president of the Company and also serves as a director and the general manager of 北京北控宏創科技有限公司 (a wholly owned subsidiary of BEHL). Ms. Qin is an Associate Research Fellow and obtained a master's degree from the Beijing Institute of Technology. Ms. Qin has been the head of the Office of State-Owned Assets Investment Business Company and the vice chairman of the Administration Office for State-Owned Assets at the Beijing New Technology Industrial Development Test Zone. Ms. Qin has joined the BEHL's Group since July 2000 has accumulated extensive experience in building construction and corporate management. Ms. Qin joined the Group in August 2013.

Mr. NG Kong Fat, Brian, aged 60, graduated from the University of Stirling in Scotland in 1983 and is a member of the Institute of Chartered Accountants of Scotland. Mr. Ng has extensive experience in corporate, investment and financial management. Mr. Ng joined the Group in July 1993.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. JIN Lizuo, aged 58, holds a doctorate degree in Economics from Oxford University and has been the chief councillor of Shanghai Institute of Law & Economics, the chairman of Zhonghe Yingtai Management Consultancy Co., Ltd., the specialist committee member of China Xinda Assets Management Corporation. Dr. Jin graduated from Peking University School of Economics in 1982 and has been teaching in the university. From 1983 to 1988, Dr. Jin served as the member of State Economic Structure Reforms Committee and was the First President (1988-89) of Chinese Economic Association (UK). From 1993 to 1995, Dr. Jin has worked for N.M. Rothschild and Morgan Stanley and thereafter accumulated extensive experience in investment banking and financial management. Dr. Jin has retired as an independent non-executive director of Huabao International Holdings Limited (stock code: 336) with effect from August 2013. Dr. Jin joined the Group in September 2004.

Dr. HUAN Guocang, aged 66, is currently the chief executive officer of Primus Pacific Partners Limited ("Primus"). Dr. Huan holds master degrees in arts from the Graduate School of International Studies of the University of Denver in 1982 and Columbia University in 1983, a PhD degree from Princeton University in 1987 and John Olin post doctorial fellow from the Centre for International and Strategic Studies of Harvard University in 1987. Before the set-up of Primus in 2005, Dr. Huan has been the Head of Investment Banking (Asia Pacific) of HSBC, the co-Head of Investment Banking (Asia Pacific) of Citigroup, the managing director and Head of China of BZW Asia Limited, a senior economist and vice president of J.P. Morgan, an assistant professor of Columbia University and an economist of Deutsche Bank. Dr. Huan joined the Group in January 2008.

Dr. WANG Jianping, aged 58, is currently a senior partner of King & Wood Mallesons, a law firm in China. Dr. Wang holds a bachelor degree in law from the Law School of Peking University in 1982, a master degree in law from the Law School of Harvard University in 1984 and a doctorate degree in law from the Law School of Washington University in Missouri in 1991. Before being admitted as a Chinese lawyer and joining King & Wood in 1998, Dr. Wang was further admitted to the Missouri Bar in 1991 and then practiced in St. Louis, Missouri from 1991 to 1997. From 1984 to 1988, Dr. Wang worked with the Legislative Affairs Committee of the Standing Committee of National People's Congress and has participated in the legislation of the Grassland Law, Fishery Law, Bankruptcy Law, Law of Chinese-foreign Cooperative Joint Venture, and Customs Law, etc. Dr. Wang joined the Group in January 2008.

Prof. NIE Yongfeng, aged 70, is a professor at School of Environment, Tsinghua University, a doctoral supervisor for a doctoral program in Radiation Protection and Environment Protection, and a doctoral supervisor for Environmental Science and Engineering. He retired in April 2011, and is currently the deputy director of the Academic Committee of the Ministry of Education Key Laboratory for "Solid Waste Management and Environment Safety", Tsinghua University, a member of each of the Science and Technology Committee, the Municipal Work Committee, and the Resources and Sustainable Development Committee, Ministry of Housing and Urban-Rural Development, a member of the Expert Committee, the China Association of Urban Environmental Sanitation, a member of the Urban Garbage Treatment Professional Committee, the China Association of Environmental Protection Industry. Prof. Nie has solid theoretical foundation and extensive practical experience in urban domestic garbage, industrial solid waste and dangerous waste management, treatment, disposal and resource utilisation technology, and groundwater remediation theory and technology. Prof. Nie joined the Group in January 2014.

BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT *(CONTINUED)*

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. CHEUNG Ming, aged 54, is currently an executive director and the chief executive officer of BEP International Holdings Limited ("BEP", stock code: 2326). Prior to joining BEP, he had served as the executive director of Hengli & Liqi Furniture Limited ("Hengli"), a Hong Kong company specialising in the production of furniture for sale to Europe markets, and was responsible for the international business development of Hengli. Before joining Hengli, Mr. Cheung had served as the chief executive officer of a Hong Kong based retailing company. Mr. Cheung has extensive business management experience including over 30 years of experience in retail business and international trade in Mainland China, Hong Kong and Taiwan. Mr. Cheung had been leading the companies he served in setting down long-term development blueprints including strategies for corporate and business development as well as brand building to enhance their market competitiveness and profitability, which laid the solid foundation for their sustainable growth in the Greater China and Asia-Pacific regions. Mr. Cheung joined the Group in August 2014.

SENIOR MANAGEMENT

Mr. ZHU Jian, aged 46, is a vice president of the Company and also serves as the general manager of BEHET. Mr. Zhu graduated from the Foreign Languages Department of Wuhan University of Technology in 1991 and subsequently obtained a MBA degree from the Faculty of Management, Wuhan university of Technology. Mr. Zhu has extensive working experience in corporate management and in the field of environmental protection. Mr. Zhu joined the Group in August 2014.

Mr. WONG Kwok Wai, Robin, aged 49, is the financial controller and the company secretary of the Company. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has been worked for a major international accounting firm and has extensive experience in administration, auditing, accounting and corporate finance. Mr. Wong joined the Group in July 1993.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Save as disclosed below, the Company has complied with all the applicable code provisions (the "Code Provisions") of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules for securities transactions by director(s) of the Company (the "Director(s)"). All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The board of Directors (the "Board") is mainly accountable to the shareholders and is also in charge of the management, business, strategy, annual and interim results, risk management, major acquisitions, disposals and capital transactions and other major operation and financial aspects of the Group. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual and interim accounts for Board approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Mr. Zhang Honghai has tendered his resignation as an executive Director with effect from 29 June 2015 due to the reach of his retirement age. At present, the Board comprises five executive Directors and five independent non-executive Directors. Details of backgrounds and qualifications of Directors are set out on pages 13 to 15. There is no relationship (including financial, business, family or other material/relevant relationship) between the Board members. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

During the year ended 31 December 2015, the Board has complied with Rules 3.10(1) and (2) of the Listing Rules which comprises three independent non-executive Directors, and has two independent non-executive Directors with appropriate financial management expertise. The independent non-executive Directors have appropriate and sufficient experience and qualification to carry out their duties so as to fully represent the interests of the shareholders. The Company has received annual confirmations of independence from each of the independent non-executive Directors and still considers them to be independent.

The Directors are regularly briefed and updated with written materials on the latest developments of the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged trainings for Directors in the form of seminar and provision of training materials.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD OF DIRECTORS *(continued)*

According to the records maintained by the Company, the Directors received the training on disclosure requirements and principal directors' responsibilities under the Listing Rules in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2015:

Name of Director	Position	Self reading materials	Attended seminar
Mr. E Meng	Chairman and executive Director	✓	✓
Mr. Zhang Honghai	Executive Director *(resigned on 29 June 2015)*	✓	
Mr. Ke Jian	Vice Chairman and executive Director	✓	✓
Ms. Sha Ning	Executive Director	✓	
Ms. Qin Xuemin	Executive Director	✓	
Mr. Ng Kong Fat, Brian	Executive Director	✓	
Dr. Jin Lizuo	Independent non-executive Director	✓	
Dr. Huan Guocang	Independent non-executive Director	✓	
Dr. Wang Jianping	Independent non-executive Director	✓	
Prof. Nie Yongfeng	Independent non-executive Director	✓	
Mr. Cheung Ming	Independent non-executive Director	✓	

The Board held two regular meetings during the year ended 31 December 2015. Details of attendance of each Director at the regular Board meetings and general meetings are as follows:

		Attendance	
Name of Director	Position	Regular Board meetings	General meetings
Mr. E Meng	Chairman and executive Director	1/2	0/2
Mr. Zhang Honghai	Executive Director *(resigned on 29 June 2015)*	0/1	0/2
Mr. Ke Jian	Vice Chairman and executive Director	2/2	2/2
Ms. Sha Ning	Executive Director	2/2	0/2
Ms. Qin Xuemin	Executive Director	2/2	0/2
Mr. Ng Kong Fat, Brian	Executive Director	2/2	0/2
Dr. Jin Lizuo	Independent non-executive Director	2/2	0/2
Dr. Huan Guocang	Independent non-executive Director	2/2	0/2
Dr. Wang Jianping	Independent non-executive Director	2/2	0/2
Prof. Nie Yongfeng	Independent non-executive Director	2/2	0/2
Mr. Cheung Ming	Independent non-executive Director	2/2	0/2

Under Code Provision A.1.1, the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation of a majority of directors entitled to present. However, the Company considers it is more efficient to hold Board meetings to address emerging issues as appropriate. Sufficient measures have been taken to ensure that there is efficient communication among the Directors.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD OF DIRECTORS *(continued)*

Under Code Provision A.2.7, the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. However, the Company considers it is more effective for non-executive directors to voice their views by individual communication with the chairman of the Board (the "Chairman").

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. However, all independent non-executive Directors were unable to attend the general meetings of the Company due to other business engagements.

Under Code Provision E.1.2, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration and nomination committees to attend. However, the chairmen of the board and its committees were unable to attend the annual general meeting due to other business engagements.

CHAIRMAN AND PRESIDENT

The Company has complied with Code Provision A.2.1 which stipulates that the roles of chairman and president should be separated and should not be performed by the same individual. Mr. E Meng, the Chairman, is responsible for the approval and supervision of the overall strategies and policies of the Group, approval of annual budgets and business plans, evaluation of the Company's performance and oversight of the management. Mr. Ke Jian, the chief executive officer of the Company, is responsible for the day-to-day operations of the Group.

NON-EXECUTIVE DIRECTORS

None of the existing non-executive Directors is appointed for a specific term, which constitutes a deviation from Code Provision A.4.1 which stipulates non-executive directors should be appointed for a specific term, subject to re-election. However, in view of the fact that all non-executive Directors are subject to retirement by rotation in accordance with the Company's articles of association, the Company considers that there are sufficient measures to ensure that the corporate governance standard of the Company is not less exacting than that of the Code Provision.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Every Board member has full access to the advice and services of the company secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD COMMITTEES

Remuneration Committee

The Remuneration Committee was established with terms of reference in accordance with Rule 3.25 of the Listing Rules and Code Provision B.1. The members of the Remuneration Committee comprise three independent non-executive Directors, namely Dr. Jin Lizuo (committee chairman), Dr. Huan Guocang and Dr. Wang Jianping and the Chairman, Mr. E Meng. The Remuneration Committee performs an advisory role to the Board, with the Board retaining the final authority to approve executive Directors' and senior management's remuneration.

The role and function of the Remuneration Committee include (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; (iii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management; (iv) to make recommendations to the Board on the remuneration packages of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group; (vi) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

No meeting was held by the Remuneration Committee during the year under review and the remuneration packages of the Board members remains unchanged during the year. Details of remuneration of the Directors and the five highest paid employees are set out in notes 8 and 9 to the financial statements.

Nomination Committee

The Nomination Committee was established with terms of reference in accordance with Code Provision A.5. The members of the Nomination Committee comprise the Chairman, Mr. E Meng (committee chairman), and three independent non-executive Directors, namely Dr. Jin Lizuo, Dr. Huan Guocang and Dr. Wang Jianping.

The role and function of the Nomination Committee include (i) review the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) review the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time, and to review the progress of achieving those objectives; (iii) identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (iv) assess the independence of independent non-executive Directors; and (v) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

No meeting was held by the Nomination Committee during the year under review and, except for the resignation of Mr. Zhang Honghai, the Board composition remains unchanged during the year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

BOARD COMMITTEES *(continued)*

Audit Committee

The Audit Committee was established with written terms of reference in accordance with Rule 3.21 of the Listing Rules and Code Provision C.3. The current members of the Audit Committee comprise three independent non-executive Directors, namely Dr. Huan Guocang (committee chairman), Dr. Jin Lizuo and Dr. Wang Jianping.

The role and function of the Audit Committee include (i) maintenance of the relationship with the Company's auditors; (ii) review of the Company's financial information; and (iii) oversight of the Company's financial reporting system and internal control procedures.

The Audit Committee held two meetings during the year under review with all the committee members attended. The meeting has reviewed the interim and annual results, financial positions, internal control, impacts of the new accounting standards and management issues of the Group.

AUDITORS' REMUNERATION

An analysis of remuneration in respect of services provided by the auditors, Ernst & Young, of the Group is as follows:

	HK$'000
Annual audit services	2,250
Agreed-upon procedures on interim financial statements	438
Agreed-upon procedures on review of continuing connected transactions	50
Agreed-upon procedures on review of preliminary announcement of annual results	10
	2,748

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for preparing the accounts and the responsibilities of the auditors to the shareholders are set out on page 31. The Directors have confirmed that the Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The Board will conduct regular review regarding internal control systems of the Group. The Company convened meeting periodically to discuss financial, operational and compliance controls and risk management functions. During the year ended 31 December 2015, the Board has reviewed the operational and financial reports, budgets and business plans provided by the management.

COMPANY SECRETARY

The company secretary of the Company is Mr. Wong Kwok Wai, Robin. Details of background and qualification of Mr. Wong are set out on page 15. Mr. Wong has complied with Rule 3.29 of the Listing Rules for taking not less than 15 hours of relevant professional training during the year.

CORPORATE GOVERNANCE REPORT *(CONTINUED)*

SHAREHOLDERS' RIGHTS

The Company recognises the importance of good communications with shareholders and investors and also recognises the value of providing current and relevant information to shareholders and investors. Annual and interim reports offer comprehensive operational and financial performance information to shareholders and the annual and extraordinary general meetings of the Company provide a forum for shareholders to exchange views directly with the Board, which together help enhance and facilitate communication with shareholders. All registered shareholders are entitled to attend the general meetings and notices of meeting are served by post. Shareholders who are unable to attend a general meeting may complete and return to the Company's share registrar the proxy form enclosed with notice of meeting to give proxy to their representatives or chairman of the meeting.

Shareholders' Right to Convene Extraordinary General Meeting

The articles of association of the Company provides that the Directors may, whenever they think fit, convene an extraordinary general meeting and extraordinary general meetings shall also be convened on requisition, or, in default, may be convened by the requisitionists, all as provided by the Hong Kong Companies Ordinance, which provides that the directors are required to call a general meeting if the company has received requests to do so from members of the company representing at least 5% of the total voting rights of all the members having a right to vote at general meetings.

Shareholders' Right to Put Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

Shareholders' Right to Put Forward Proposals at General Meetings

The Hong Kong Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that it do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Hong Kong Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting.

All request shall be sent to the registered office of the Company in Hong Kong, or by fax (+852 2529 3725), or by e-mail to general@bdhk.com.hk for the attention of the company secretary.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors") present their report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the Chairman's Statement and Management Discussion and Analysis set out on pages 4 to 12 of this annual report. This discussion forms part of this directors' report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the Group's financial position at that date are set out in the financial statements on pages 33 to 123.

The Directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 124. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 24, 25 and 27 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company had no reserves available for distribution, calculated in accordance with the provisions of sections 291, 297 and 299 of the Hong Kong Companies Ordinance.

REPORT OF THE DIRECTORS *(CONTINUED)*

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 99% of the total sales for the year and sales to the largest customer included therein amounted to 86%. Purchases from the Group's five largest suppliers accounted for 97% of the total purchases for the year and purchases from the largest supplier included therein amounted to 93%.

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

DIRECTORS

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

Executive Directors:
Mr. E Meng *(Chairman)*
Mr. Ke Jian *(Vice Chairman and Chief Executive Officer)*
Ms. Sha Ning *(Vice President)*
Ms. Qin Xuemin *(Vice President)*
Mr. Ng Kong Fat, Brian
Mr. Zhang Honghai *(resigned on 29 June 2015)*

Independent non-executive Directors:
Dr. Jin Lizuo
Dr. Huan Guocang
Dr. Wang Jianping
Prof. Nie Yongfeng
Mr. Cheung Ming

The persons who were directors of the subsidiaries of the Company during the year (not including those directors listed above) were (in alphabetical order) Ms. Cao Muya, Mr. Cao Wei, Mr. Chen Gang, Ms. Gong Xiaoqing, Ms. Guo Yune, Mr. He Wei, Mr. Huang Minghui, Mr. Huang Weihao, Mr. Jin Sha, Mr. Li Kangying, Mr. Liang Qiping, Mr. Liu Mingming, Mr. Liu Zhipeng, Mr. Ng Kwong Fung, Ms. Sun Ling, Mr. Tao Chunhui, Mr. Thio Seng Tji, Mr. Wang Yong, Mr. Wong Kwok Wai, Mr. Wu Miaolin, Mr. Wu Zhuang, Mr. Xu Gang, Mr. Yan Qing, Mr. Yu Chenghua, Mr. Yu Chuming, Mr. Zeng Zhiqian, Mr. Zhong Yuan and Mr. Zhu Jian.

In accordance with article 104(a) of the Company's articles of association, Mr. Ke Jian, Ms. Qin Xuemin, Dr. Wang Jianping and Prof. Nie Yongfeng will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. None of the existing Directors is appointed for a specific term.

Since the issue date of the Company's 2015 interim report, there has been no material change in the Directors' information that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

The Company has received annual confirmations of independence from each of the five independent non-executive Directors and as at the date of this report still considers them to be independent.

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 to 15 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the remuneration committee. Further details of the Company's remuneration committee are set out in the corporate governance report on page 19 of the annual report.

PERMITTED INDEMNITY PROVISIONS

In accordance with article 182(a) of the Company's articles of association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities (in so far as is permitted by the Hong Kong Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto. The Company has arranged appropriate directors' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as the transactions with 北京控股集團有限公司 ("BEGCL", the ultimate holding company of the Company) and its subsidiaries, further details of which are set out in notes 11 and 36(a) to the financial statements, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of ordinary shares held, capacity and nature of interest			
Name of Director	Directly beneficially owned	Through a controlled corporation	Total	Percentage of the Company's share capital
Mr. E Meng	601,000	–	601,000	0.04
Mr. Ng Kong Fat, Brian	1,600,000	8,792,755#	10,392,755	0.69
	2,201,000	8,792,755	10,993,755	0.73

The 8,792,755 ordinary shares are held by Sunbird Holdings Limited, a company beneficially owned by Mr. Ng Kong Fat, Brian and his associate.

Long positions in share options of the Company:

The interests of the Directors in the share options of the Company are separately disclosed in the section "Share Option Scheme" below.

Long positions in ordinary shares of an associated corporation – Beijing Enterprises Holdings Limited:

Name of Director	Number of ordinary shares directly beneficially owned	Percentage of the associated corporation's share capital
Mr. E Meng	30,000	0.002

REPORT OF THE DIRECTORS *(CONTINUED)*

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions in share options of an associated corporation – Beijing Properties (Holdings) Limited:

Name of Director	Number of share options directly beneficially owned		
	Batch 1	Batch 2	Total
Mr. E Meng	5,000,000	3,600,000	8,600,000

Batch 1: These share options were granted on 28 October 2011 at an exercise price of HK$0.465 per share. These share options may be exercised at any time commencing on 28 October 2011, and if not otherwise exercised, will lapse on 27 October 2021.

Batch 2: These share options were granted on 1 June 2012 at an exercise price of HK$0.41 per share. These share options may be exercised at any time commencing on 1 June 2012, and if not otherwise exercised, will lapse on 31 May 2022.

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive had registered an interest or a short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS *(CONTINUED)*

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 25 to the financial statements.

The following table discloses movements in the Company's share options outstanding during the year:

	Number of share options		
Name or category of participant	At 1 January 2015	Exercised during the year	At 31 December 2015
Executive Directors:			
Mr. E Meng	6,770,000	–	6,770,000
Mr. Ng Kong Fat, Brian	5,500,000	–	5,500,000
Independent non-executive Directors:			
Dr. Jin Lizuo	670,000	–	670,000
Dr. Huan Guocang	670,000	–	670,000
Dr. Wang Jianping	670,000	–	670,000
Other employees and consultants:			
In aggregate*	28,540,000	(3,300,000)	25,240,000
	42,820,000	(3,300,000)	39,520,000

* Included 6,770,000 share options held by Mr. Zhang Honghai who resigned as an executive Director on 29 June 2015.

The outstanding share options were granted on 21 June 2011 at an exercise price of HK$1.25 (subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital) per ordinary share of the Company. The share options may be exercised at any time commencing on 21 June 2011, and if not otherwise exercised, will lapse on 20 June 2021.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS *(CONTINUED)*

CONTRACT OF SIGNIFICANCE

Save as the transactions with BEGCL and its subsidiaries, further details of which are set out in notes 11 and 36(a) to the financial statements, no contracts of significance in relation to the Group's business in which the Company, any of its subsidiaries or fellow subsidiaries, or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the following interests and short positions of 5% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in ordinary shares of the Company:

		Number of ordinary shares held, capacity and nature of interest			
Name	Notes	**Directly beneficially owned**	**Through controlled corporations**	**Total**	**Percentage of the Company's share capital**
Idata Finance Trading Limited ("Idata")		738,675,000	–	738,675,000	49.27
Beijing Enterprises Holdings Limited ("BEHL")	(a)	17,445,000	738,675,000	756,120,000	50.43
Beijing Enterprises Group (BVI) Company Limited ("BEBVI")	(b)	–	756,120,000	756,120,000	50.43
BEGCL	(b)	–	756,120,000	756,120,000	50.43
Cosmos Friendship Limited ("Cosmos")		347,000,000	–	347,000,000	23.14
Khazanah Nasional Berhad ("Khazanah")	(c)	–	347,000,000	347,000,000	23.14

Notes:

(a) The interest disclosed includes the ordinary shares owned by Idata. Idata is a wholly-owned subsidiary of BEHL. Accordingly, BEHL is deemed to be interested in the ordinary shares owned by Idata.

(b) The interests disclosed include the ordinary shares owned by BEHL and Idata. BEBVI and BEGCL are the immediate holding company and the ultimate holding company of BEHL, respectively. Accordingly, each of BEBVI and BEGCL is deemed to be interested in the ordinary shares owned by each of BEHL and Idata.

(c) The interests disclosed include the ordinary shares owned by Cosmos. Cosmos is a wholly-owned subsidiary of Khazanah. Accordingly, Khazanah is deemed to be interested in the ordinary shares owned Cosmos.

Save as disclosed above, as at 31 December 2015, no person, other than the Directors, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS *(CONTINUED)*

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company had the following continuing connected transactions (other than continuing connected transactions that are exempted under Rule 14A.76 of the Listing Rules) that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

(a) On 29 June 2015, the Company entered into a deposit services master agreement with Beijing Enterprises Group Finance Co., Ltd. ("BG Finance", an associate of BEGCL), pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 29 June 2015 to 31 December 2017. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period; and the cumulative daily outstanding deposits balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK$159,000,000. Further details of the transactions are set out in the Company's announcement dated 29 June 2015 and note 36(a)(v) to the financial statements. During the year ended 31 December 2015, the Group has placed a maximum deposit balance of HK$150,000,000 with BG Finance and the net interest income recognised in profit and loss during the year amounted to HK$64,000.

(b) On 31 August 2015, the Company entered into a property escrow agreement with 北京北控宏創科技有限公司 ("Hong Chuang", an indirect wholly-owned subsidiary of BEHL), pursuant to which Hong Chuang will provide the escrow services for sub-leasing the Company's investment property known as Block 5 of Beikong Hong Chuang Technology Park in Beijing, the PRC for an escrow period of three years from 1 September 2015 to 31 August 2018 and at an annual rent of RMB2,575,987 (subject to annual adjustment, if necessary). Further details of the transaction are set out in the Company's announcement dated 1 September 2015 and note 36(a)(i) to the financial statements. During the year ended 31 December 2015, the rental income recognised in profit and loss during the year amounted to HK$523,000.

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed these continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

REPORT OF THE DIRECTORS *(CONTINUED)*

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in note 40 to the financial statements.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

E Meng
Chairman

Hong Kong
31 March 2016

INDEPENDENT AUDITORS' REPORT

Ernst & Young
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To the members of Beijing Development (Hong Kong) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Beijing Development (Hong Kong) Limited (the "Company") and its subsidiaries set out on pages 33 to 123, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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 auditors' 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 auditors consider internal control relevant to the entity's preparation of 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.

INDEPENDENT AUDITORS' REPORT *(CONTINUED)*

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
31 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CONTINUING OPERATIONS			
REVENUE	5	**1,246,706**	108,516
Cost of sales		**(1,161,936)**	(75,091)
Gross profit		**84,770**	33,425
Other income and gains, net	5	**52,832**	11,804
Administrative expenses		**(31,251)**	(31,749)
Other operating expenses, net		**(10,486)**	(280)
PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS	6	**95,865**	13,200
Finance costs	7	**(11,348)**	(4,233)
Share of loss of a joint venture		**(73)**	(33)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**84,444**	8,934
Income tax	10	**(12,705)**	(1,401)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**71,739**	7,533
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	11(a)	**12,246**	(2,386)
PROFIT FOR THE YEAR		**83,985**	5,147
Attributable to:			
Members of the Company			
Continuing operations		**71,498**	7,681
Discontinued operation		**11,785**	(162)
		83,283	7,519
Non-controlling interests		**702**	(2,372)
		83,985	5,147
EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY	12		
– Basic (HK cents)			
For profit for the year		**5.56**	0.58
For profit from continuing operations		**4.77**	0.60
– Diluted (HK cents)			
For profit for the year		**4.27**	0.57
For profit from continuing operations		**3.74**	0.59

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
PROFIT FOR THE YEAR		**83,985**	5,147
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations:			
– Translation of foreign operations		**(66,226)**	(11,366)
– Release upon disposal of a subsidiary	32	**(2,425)**	–
– Release upon deemed disposal of interests in an associate		**–**	(2,222)
Share of other comprehensive loss of an associate		**–**	(80)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(68,651)**	(13,668)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**15,334**	(8,521)
Attributable to:			
Members of the Company		**16,474**	(5,507)
Non-controlling interests		**(1,140)**	(3,014)
		15,334	(8,521)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets:			
Property, plant and equipment	13	**218,829**	228,496
Investment properties	14	**93,592**	46,376
Prepaid land lease payments	15	**24,359**	25,868
Goodwill	16	**160,161**	160,161
Operating concessions	17	**711,820**	386,558
Other intangible assets	18	**95,211**	103,613
Investment in a joint venture	19	**5,894**	5,967
Receivables under service concession arrangement	17	**690,395**	–
Prepayments	22	**2,278**	32,000
Deferred tax assets	28	**2,629**	–
Total non-current assets		**2,005,168**	989,039
Current assets:			
Inventories	20	**3,913**	2,377
Receivables under service concession arrangement	17	**6,443**	–
Trade and bills receivables	21	**28,890**	44,484
Prepayments, deposits and other receivables	22	**16,522**	142,777
Cash and cash equivalents	23	**1,862,369**	1,692,467
		1,918,137	1,882,105
Assets of disposal groups classified as held for sale	11(b)	**342,193**	321,753
Total current assets		**2,260,330**	2,203,858
TOTAL ASSETS		**4,265,498**	3,192,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to members of the Company			
Share capital	24	**2,225,723**	2,219,647
Equity component of convertible bonds	27	**11,658**	11,658
Other reserves	26(a)	**(163,113)**	(177,636)
		2,074,268	2,053,669
Non-controlling interests		**24,657**	7,223
TOTAL EQUITY		**2,098,925**	2,060,892
Non-current liabilities:			
Convertible bonds	27	**783,385**	779,947
Deferred tax liabilities	28	**67,671**	60,463
Total non-current liabilities		**851,056**	840,410
Current liabilities:			
Trade payables	29	**1,010,695**	7,031
Other payables and accruals	30	**58,296**	49,443
Tax payables		**17,299**	16,420
		1,086,290	72,894
Liabilities directly associated with assets classified as held for sale	11(b)	**229,227**	218,701
Total current liabilities		**1,315,517**	291,595
TOTAL LIABILITIES		**2,166,573**	1,132,005
TOTAL EQUITY AND LIABILITIES		**4,265,498**	3,192,897

E Meng
Director

Ke Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to members of the Company											
	Notes	Share capital HK$'000 (note 24)	Share premium account HK$'000 (note 24)	Capital redemption reserve HK$'000 (note 24)	Equity component of convertible bonds HK$'000 (note 27)	Share option reserve HK$'000 (note 26(c))	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	PRC reserve funds HK$'000 (note 26(d))	Accu-mulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014		854,960	192,892	9,721	31,971	27,653	1,878	89,936	36,781	(324,467)	921,325	7,737	929,062
Profit/(loss) for the year		–	–	–	–	–	–	–	–	7,519	7,519	(2,372)	5,147
Other comprehensive loss for the year:													
Exchange fluctuation reserve:													
Translation of foreign operations		–	–	–	–	–	–	(10,724)	–	–	(10,724)	(642)	(11,366)
Release upon deemed disposal of interests in an associate		–	–	–	–	–	–	(2,222)	–	–	(2,222)	–	(2,222)
Share of other comprehensive loss of an associate		–	–	–	–	–	–	(80)	–	–	(80)	–	(80)
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	(13,026)	–	7,519	(5,507)	(3,014)	(8,521)
Transition to no-par value regime	24(a)	202,613	(192,892)	(9,721)	–	–	–	–	–	–	–	–	–
Conversion of convertible bonds	24(b), 27	329,119	–	–	(32,815)	–	–	–	–	–	296,304	–	296,304
Acquisition of subsidiaries	24(c), 31	818,920	–	–	–	–	–	–	–	–	818,920	–	818,920
Issue of shares upon exercise of share options	25(c)	14,035	–	–	–	(3,910)	–	–	–	–	10,125	–	10,125
Issue of convertible bonds	27	–	–	–	12,502	–	–	–	–	–	12,502	–	12,502
Deemed disposal of interests in an associate		–	–	–	–	–	(1,757)	–	–	1,757	–	–	–
Capital contribution from a non-controlling interest		–	–	–	–	–	–	–	–	–	–	2,500	2,500
Transfer to PRC reserve funds		–	–	–	–	–	–	20	1,491	(1,511)	–	–	–
At 31 December 2014 and 1 January 2015		**2,219,647**	**–**	**–**	**11,658**	**23,743***	**121***	**76,930***	**38,272***	**(316,702)***	**2,053,669**	**7,223**	**2,060,892**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**83,283**	**83,283**	**702**	**83,985**
Other comprehensive loss for the year:													
Exchange fluctuation reserve:													
Translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**–**	**(64,384)**	**–**	**–**	**(64,384)**	**(1,842)**	**(66,226)**
Release upon disposal of a subsidiary	32	**–**	**–**	**–**	**–**	**–**	**–**	**(2,425)**	**–**	**–**	**(2,425)**	**–**	**(2,425)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(66,809)**	**–**	**83,283**	**16,474**	**(1,140)**	**15,334**
Issue of shares upon exercise of share options	25(c)	**6,076**	**–**	**–**	**–**	**(1,951)**	**–**	**–**	**–**	**–**	**4,125**	**–**	**4,125**
Capital contribution from a non-controlling interest		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,354**	**1,354**
Disposal of a subsidiary	32	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,220**	**17,220**
Transfer to PRC reserve funds		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,480**	**(1,480)**	**–**	**–**	**–**
At 31 December 2015		**2,225,723**	**–**	**–**	**11,658**	**21,792***	**121***	**10,121***	**39,752***	**(234,899)***	**2,074,268**	**24,657**	**2,098,925**

* These reserve accounts comprise the consolidated negative other reserves of HK$163,113,000 (2014: negative other reserves of HK$177,636,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax			
From continuing operations		**84,444**	8,934
From a discontinued operation	11(a)	**12,246**	(2,251)
Adjustments for:			
Gain on disposal of a subsidiary	11(a), 32	**(10,937)**	–
Gain on deemed disposal of interests in an associate	11(a)	**–**	(22,878)
Share of profits and losses of joint ventures	4	**(713)**	(1,565)
Share of profits and losses of associates	4	**(42)**	999
Bank interest income	4	**(12,942)**	(13,726)
Imputed interest on interest-free trade and bills receivables with extended credit periods	4	**(1,892)**	(234)
Finance costs	4	**12,368**	4,664
Depreciation	4	**15,961**	13,659
Amortisation of other intangible assets	4	**4,908**	4,125
Gain on disposal of an item of other intangible assets	5	**(1,625)**	–
Fair value loss/(gain) on investment properties, net	6	**(9,158)**	185
Amortisation of prepaid land lease payments	6	**589**	387
Amortisation of operating concessions	6	**16,215**	11,497
Fair value loss on equity investments at fair value through profit or loss	11(a)	**–**	16,301
Loss on disposal of equity investments at fair value through profit or loss	11(a)	**–**	3,249
Impairment of an amount due from an associate	6	**32**	30
Impairment of trade and bills receivables, net		**7,347**	1,604
Impairment/(reversal of impairment) of other receivables, net		**2,152**	(511)
Loss on disposal of items of property, plant and equipment, net		**175**	254
		119,128	24,723
Decrease/(increase) in inventories		**12,843**	(11,423)
Decrease/(increase) in amounts due from contract customers		**(449)**	900
Decrease in trade and bills receivables		**14,665**	3,194
Decrease/(increase) in prepayments, deposits and other receivables		**135,232**	(141,337)
Increase in receivables under operating concession arrangement		**(696,838)**	–
Increase/(decrease) in trade and bills payables		**640,583**	(9,440)
Decrease in amounts due to contract customers		**(490)**	(707)
Increase in other payables and accruals		**49,849**	10,669
Cash generated from/(used in) operations		**274,523**	(123,421)
PRC corporate income tax paid		**(4,259)**	(135)
Net cash flows from/(used in) operating activities		**270,264**	(123,556)

CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(13,696)**	(17,213)
Proceeds from disposal of items of property, plant and equipment		**118**	186
Proceeds from disposal of an item of other intangible assets		**1,875**	–
Addition of operating concession		**–**	(516)
Purchases of items of other intangible assets	18	**–**	(27)
Investment in a joint venture		**–**	(6,000)
Acquisition of subsidiaries	31	**–**	(60,937)
Disposal of a subsidiary	32	**6,704**	–
Proceeds from disposal of equity investments at fair value through profit or loss		**–**	22,909
Increase in an amount due from an associate		**(32)**	(30)
Increase in time deposits with maturity of more than three months when acquired		**(43,544)**	(13,839)
Decrease in pledged deposits		**74**	2,815
Interest received		**11,755**	13,726
Net cash flows used in investing activities		**(36,746)**	(58,926)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares upon exercise of share options	25(c)	**4,125**	10,125
Proceeds from issue of convertible bonds	27	**–**	813,600
Interest paid		**(8,299)**	(1,564)
Capital contribution by a non-controlling interest		**1,354**	2,500
Net cash flows from/(used in) financing activities		**(2,820)**	824,661
NET INCREASE IN CASH AND CASH EQUIVALENTS		**230,698**	642,179
Cash and cash equivalents at beginning of year		**1,747,239**	1,115,016
Effect of foreign exchange rate changes, net		**(33,513)**	(9,956)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,944,424**	1,747,239
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits			
Placed in banks	23	**831,051**	1,092,244
Placed in a financial institution	23	**54**	–
Time deposits	23	**1,031,264**	600,223
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,862,369**	1,692,467
Less: Time deposits with maturity of more than three months when acquired		**(112,304)**	(71,339)
Add: Cash and bank balances attributable to the disposal groups	11(b)	**194,359**	126,111
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,944,424**	1,747,239

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

Beijing Development (Hong Kong) Limited (the "Company") is a limited liability company incorporated in Hong Kong and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 66th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally involved in (a) the solid waste treatment business which comprises the construction and operation of waste incineration plants, waste treatment and the sales of electricity and steam generated from waste incineration; and (b) the information technology ("IT") business which comprises the provision of IT related services, which included system integration, the construction of information networks and sale of related equipment, the provision of IT technical support and consultation services and the development and sale of software (classified as a discontinued operation during the year, note 11).

At 31 December 2015, the immediate holding company of the Company is Idata Finance Trading Limited ("Idata"), a limited liability company incorporated in the British Virgin Islands. In the opinion of the directors, the ultimate holding company of the Company is 北京控股集團有限公司 ("BEGCL"), which is a state-owned enterprise established in the People's Republic of China (the "PRC") and is wholly owned by The State-owned Assets Supervision and Administration Commission of the People's Government of Beijing Municipality (the "Beijing SASAC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of registration and business	Issued and paid-up capital	Percentage of equity attributable to the Company	Principal activities
北發投資（北京）有限公司#&	PRC/ Mainland China	US$30,000,000	100	Investment holding
北京北發建設發展有限公司Ω&	PRC/ Mainland China	RMB16,000,000	100	Provision of technical support and consultation services
泰安中科環保電力有限公司#	PRC/ Mainland China	RMB125,800,314	100	Solid waste incineration
常德中聯環保電力有限公司# ("Changde")	PRC/ Mainland China	RMB83,780,000	100	Solid waste incineration
北京北控綠海能環保有限公司*	PRC/ Mainland China	RMB308,340,000	99	Solid waste incineration
Beijing Development Property Investment and Management Co., Ltd.*	PRC/ Mainland China	US$4,000,000	85.5	Property investment

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Name	Place of registration and business	Issued and paid-up capital	Percentage of equity attributable to the Company	Principal activities
Beijing Enterprises Teletron Information Technology Co., Ltd.#+	PRC/ Mainland China	RMB100,000,000	72	System integration and provision of IT technical support and consultation services
Beijing Enterprises Jetrich (Beijing) Limited#+	PRC/ Mainland China	US$2,450,000	72	Provision of total education solutions
北京捷通瑞奇信息技術有限公司Ω+	PRC/ Mainland China	RMB5,000,000	63	System integration and provision of IT technical support services
北控軟件有限公司Ω+	PRC/ Mainland China	RMB50,000,000	68.4	Provision of management information system services

\# Registered as wholly-owned enterprises under PRC law

Ω Registered as limited liability companies under PRC law

* Registered as Sino-foreign joint ventures under PRC law

& Established during the year

\+ Included in assets of disposal groups classified as held for sale as at 31 December 2015 and 2014 (note 11)

During the year, the Group disposed of its 60% equity interest in Business Net (Hong Kong) Limited ("BNHK"), details of which are disclosed in note 32 to the financial statements.

All of the above principal subsidiaries are indirectly held by the Company. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in note 2.4. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle
Annual Improvements 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs that have been issued but are not yet effective, in these financial statements:

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016

2 Effective for annual periods beginning on or after 1 January 2018

3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

4 No mandatory effective date is determined but is available for early adoption

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018 and is currently assessing the impact of the standard.

(b) The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

(c) The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(d) HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any accumulated impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has controls 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

(viii) the entity, or any member of the group of which it is a part, provides key management personnel service to the Group or to the parent of the Group.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.8%
Leasehold improvements	Over the shorter of the lease terms and 20%
Plant and machinery	4.75% to 19%
Furniture, fixtures and office equipment	10% to 20%
Motor vehicles	9.5% to 19%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Disposal groups held for sale

Disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Disposal groups (other than investment properties and financial assets) classified as held for sale is measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Service concession arrangements

Concession arrangements are recognised in accordance with HK(IFRIC)-Int 12 *Services Concession Arrangements*.

HK(IFRIC)-Int 12 is applicable to concession arrangements comprising a public service obligation and satisfying all of the following criteria:

- The concession grantor controls or regulates the services to be provided by the operator using the asset, the infrastructure, the beneficiaries of the services and the prices applied; and
- The grantor controls the significant residual interest in the infrastructure at the end of the term of the arrangement.

The accounting for service concession arrangements is as follows:

Consideration given by the grantor

A financial asset (receivable under an service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets the specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for "Investments and other financial assets" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" below.

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

Construction services

Revenue and costs relating to construction services are accounted for in accordance with the policy set out for "Construction contracts" below.

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" below. Costs for operating services are expensed in the period in which they are incurred.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Service concession arrangements *(continued)*

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

The Group has contractual obligations which it must fulfill as a condition of its licence, that is (a) to maintain the solid waste incineration plants it operates to a specified level of serviceability and/or (b) to restore the plants to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the solid waste incineration plants, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The principal annual rates used for this purpose are as follows:

Operating concessions	3.3% to 4.3%
Operating right	4.1%
Management information systems	10%
Licences	4% to 20%
Computer software	10% to 20%
Golf club membership	20%

The Group entered into service concession agreements with government authorities and obtained the rights to operate solid waste incineration plants in the PRC. Where the service concession arrangement is on a Build-Operate-Transfer ("BOT") basis, HK(IFRIC)-Int 12 applies and the non-guarantee receipt right to receive cash is accounted for as an "operating concession". Where the service concession arrangement is on a Build-Operate-Own ("BOO") basis, HK(IFRIC)-Int 12 does not apply and the fair value of the non-guarantee receipt right to receive cash acquired in a business combination is accounted for as a "operating right". Amortisation of "operating concessions" and "operating right" is provided on the straight-line basis over the respective periods of the operating concessions granted to the respective subsidiaries of the Group.

Intangible assets with finite lives are subsequently assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

An intangible asset is derecognised on disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than investment properties, financial assets, inventories, amounts due from contract customers and a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in "Other operating expenses, net" in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables, as appropriate, which are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designed upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivates, including separated embedded derivates, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are stated.

Derivates embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivates are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modified the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains, net" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Other operating expenses, net".

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Other operating expenses, net" in profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

- When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

- Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as loans and borrowings, which are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables.

Subsequent measurement

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the effective interest rate. The effective interest rate amortisation is included in "Finance costs" in profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component (conversion option).

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a non-current liability or a current liability, as appropriate, on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option (the equity component) that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. In respect of the convertible bonds issued by the Company, the equity component is included in the Company's convertible bond equity reserve. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

Upon the exercise of the conversion option, the resulting shares issued are recorded by the Company as additional share capital.

When convertible bonds are redeemed, the carrying amount of the equity component is transferred to retained profits as a movement in reserves and any difference between the amount paid and the carrying amount of the liability component is recognised in profit or loss. Where the conversion option remains unexercised at the expiry date, any remaining balance of the equity component of the convertible bonds will be transferred to retained profits as a movement in reserves. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

Contract revenue comprises construction revenue recognised under BOT contracts. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from the construction of waste treatment plants under the terms of BOT contracts (service concession agreements) is estimated on a cost-plus basis with reference to a prevailing market rate of gross margin at the date of the agreement applicable to similar construction services rendered in a similar location, and is recognised on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

System integration contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed overheads.

Revenue from fixed price system integration contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Software development contracts

Contract revenue comprises the agreed contract amount. Contract costs comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from fixed price software development contracts is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, electricity and steam, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods, electricity and steam sold;

(b) from the provision of waste treatment services, revenue is recognised when the service is rendered and it is probable that the economic benefits will flow to the Group;

(c) from construction contracts, on the percentage of completion basis, is further explained in the accounting policy for "Construction contracts" above;

(d) from system integration contracts, on the percentage of completion basis, as further explained in the accounting policy for "System integration contracts" above;

(e) from maintenance contracts, on a time proportion basis over the contract terms;

(f) from the software development, on the percentage of completion basis, as further explained in the accounting policy for "Software development contracts" above;

(g) rental income, on a time proportion basis over the lease term; and

(h) interest income, on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair values are determined by external valuers using the Black-Scholes-Merton option pricing model.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options, if any, is reflected as additional share dilution in the computation of earnings per share.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Pension schemes

Certain companies within the Group have participated in a number of defined contribution retirement benefit schemes required by the respective local governments in which they operate for their employees. Contributions are made based on a certain percentage of the covered payroll and are charged to profit or loss as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas and Mainland China subsidiaries, joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of exchange fluctuation reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas and Mainland China subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas and Mainland China subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Assessment of operation concession arrangement

On 29 April 2014, 26 December 2014 and 28 March 2016, the Group entered into a licensed operation framework agreement, a licensed operation agreement and a supplemental agreement (which clarified certain terms of the aforesaid agreements) (collectively referred to as the "Agreements"), respectively, with the Commission of City Administration and Environment, Haidian District, Beijing Municipality (the "Grantor") in relation to a public-private partnership arrangement (the "Haidian Project"). According to the Agreements, a licensed company (the "Licensed Company", a company to be established for the project, which is defined below) is responsible for the construction of certain parts of a waste incineration plant in the Haidian District (the "Haidian Plant") and shall bear the risks and costs associated with the related construction work amounted to RMB925 million, and the Grantor shall grant the Licensed Company an exclusive right for the operation and maintenance of the entire Haidian Plant and the collection of waste treatment fee and revenue generated from the sales of electricity for a concession period of 30 years (the "Licensed Operation Period") starting from the commencement date of commercial operation. Upon the expiry of the Licensed Operation Period, the Licensed Company shall transfer the Haidian Plant to the Haidian Government or its nominated organisation.

In September 2014, 北京北控綠海能環保有限公司("BE Lvhaineng") was established by Beijing Development Environmental Protection (Haidian) Limited, a wholly-owned subsidiary of the Company and 北京綠海能環保有限責任公司("Lvhaineng", a state-owned enterprise beneficently owned by the Grantor) for the purpose of the Haidian Plant. 99% and 1% of the equity interests of BE Lvhaineng are held by the Group and Lvhaineng, respectively.

The directors have determined that the Haidian Project should be accounted for as a "build-operate-transfer" arrangement under HK (IFRIC) Interpretation 12 *Service Concession Arrangements*. The accounting policies in respect of the recognition of construction revenue and classification of the service concession arrangement between intangible asset (operating concession) and financial asset (receivable under operating concession arrangement) are set out under the heading of "Construction Contracts" and "Service concession arrangements" in note 2.4 to the financial statements. A valuation has been performed by Crowe Horwath (HK) Consulting & Valuation Limited, independent professionally qualified valuers registered in Hong Kong, to estimate (i) the fair value of the construction services provided; and (ii) the receivables under service concession arrangement.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Provision for major overhaul of solid waste incineration plant to a specified level of serviceability

The Group has contractual obligations under BOT arrangement which it must fulfill as a condition of its license and the obligations require the Group (i) to maintain the solid waste incineration plant it operates to a specified level of serviceability; and (ii) to restore the plant to a specified condition before it is handed over to the grantor at the end of the service concession period. These contractual obligations to maintain or restore infrastructure, except for any upgrade element, are recognised and measured in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The estimation of the expenditure requires the Group to estimate the expected future cash outlays on major overhauls of the facilities over the service concession period and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the useful lives, residual values and related depreciation/amortisation charges for the Group's property, plant and equipment and intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation/amortisation charges where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable/amortisable lives of the Group's property, plant and equipment and intangible assets and therefore depreciation/amortisation in the future periods.

Impairment of property, plant and equipment and intangible assets (other than goodwill)

The carrying amounts of items of property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 2.4 to the financial statements. The recoverable amount is the higher of its fair value less costs of disposal and value in use, and calculations of which involve the use of estimates. In estimating the recoverable amounts of assets, various assumptions, including future cash flows or compensation to be associated with the non-current assets and discount rates, are made. If future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Group's results of operations or financial position.

Estimation of fair value of investment properties

Certain of the Group's investment properties were vacant during the reporting period and may be subject to demolishment in the near future. Management revalues such investment properties at the end of each reporting periods in accordance with the relevant rules and regulations applicable to the demolishment. Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use or fair value less costs of disposal of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. For the Group's service concession arrangements, assumption is also made on the possibility of renewal of the relevant operating rights upon expiry which enables the Group to generate income perpetually. The carrying amount of goodwill carried as assets in the consolidated statement of financial position as at 31 December 2015 was HK$160,161,000 (2014: HK$160,161,000), details of which are set out in note 16 to the financial statements.

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation by the end of each reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

Provision for impairment of trade and bills receivables and other receivables

The policy for provision for impairment of trade and bills receivables and other receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's estimation. A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors are to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Percentage of completion of construction, system integration and software development contracts

The Group recognises revenue according to the percentage of completion of the individual contract of construction, system integration and software development. The Group's management estimates the percentage of completion of construction, system integration and software development contracts based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activities undertaken in construction, system integration and software development contracts, the date at which an activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction, system integration and software development contract as the contract progresses.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas jurisdictions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

(a) the solid waste treatment segment comprises the construction and operation of waste incineration plants, waste treatment and the sale of electricity and steam generated from waste incineration.

(b) the IT segment comprises the sale of IT related products, the provision of system integration and maintenance services and software development (classified as a discontinued operation during the year, note 11).

(c) the corporate and others segment comprises property investment and corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss for the period attributable to members of the Company, which is a measure of adjusted profit/loss for the period attributable to members of the Company from continuing operations. The adjusted profit/loss for the period attributable to members of the Company from continuing operations is measured consistently with the Group's profit/loss attributable to members of the Company from continuing operations.

Segment assets and liabilities of each of the reportable operating segments are separately managed by each of the individual operating segments.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

4. OPERATING SEGMENT INFORMATION *(continued)*

The following tables present revenue, profit/(loss), total assets and total liabilities regarding the Group's operating segments for the years ended 31 December 2015 and 2014.

	Continuing operations			Discontinued operation	
	Solid waste treatment HK$'000	Corporate and others HK$'000	Total HK$'000	IT HK$'000	Total HK$'000
Year ended 31 December 2015					
Segment revenue	1,246,706	–	1,246,706	219,956	1,466,662
Cost of sales	(1,161,936)	–	(1,161,936)	(183,190)	(1,345,126)
Gross profit	84,770	–	84,770	36,766	121,536
Profit from operating activities	88,161	7,704	95,865	12,438	108,303
Finance costs	–	(11,348)	(11,348)	(1,020)	(12,368)
Share of profits and losses of:					
Joint ventures	(73)	–	(73)	786	713
Associates	–	–	–	42	42
Profit/(loss) before tax	88,088	(3,644)	84,444	12,246	96,690
Income tax	(11,716)	(989)	(12,705)	–	(12,705)
Profit/(loss) for the year	76,372	(4,633)	71,739	12,246	83,985
Segment profit/(loss) attributable to members of the Company	76,018	(4,520)	71,498	11,785	83,283
Segment assets	2,544,792	1,378,513	3,923,305	342,193	4,265,498
Segment liabilities	1,120,613	816,733	1,937,346	229,227	2,166,573
Other segment information:					
Bank interest income	3,503	7,878	11,381	1,561	12,942
Imputed interest on interest-free trade and bills receivables with extended credit periods	–	–	–	1,892	1,892
Gain on disposal of a subsidiary	–	–	–	10,937	10,937
Impairment/(reversal of impairment) of segment assets, net	10,259	32	10,291	(760)	9,531
Finance costs	–	11,348	11,348	1,020	12,368
Depreciation	13,782	482	14,264	1,697	15,961
Amortisation of prepaid land lease payments	589	–	589	–	589
Amortisation of operating concessions	16,215	–	16,215	–	16,215
Amortisation of other intangible assets	4,433	94	4,527	381	4,908
Investments in joint ventures	5,894	–	5,894	12,431	18,325
Investments in associates	–	–	–	2,887	2,887
Capital expenditure*	367,261	40,538	407,799	687	408,486

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

4. OPERATING SEGMENT INFORMATION *(continued)*

	Continuing operations			Discontinued operation	
	Solid waste treatment HK$'000	Corporate and others HK$'000	Total HK$'000	IT HK$'000	Total HK$'000
Year ended 31 December 2014					
Segment revenue	108,516	–	108,516	239,994	348,510
Cost of sales	(75,091)	–	(75,091)	(203,145)	(278,236)
Gross profit	33,425	–	33,425	36,849	70,274
Profit/(loss) from operating activities	26,436	(13,236)	13,200	(2,419)	10,781
Finance costs	–	(4,233)	(4,233)	(431)	(4,664)
Share of profits and losses of:					
Joint ventures	(33)	–	(33)	1,598	1,565
Associates	–	–	–	(999)	(999)
Profit/(loss) before tax	26,403	(17,469)	8,934	(2,251)	6,683
Income tax	(1,401)	–	(1,401)	(135)	(1,536)
Profit/(loss) for the year	25,002	(17,469)	7,533	(2,386)	5,147
Segment profit/(loss) attributable to members of the Company	25,009	(17,328)	7,681	(162)	7,519
Segment assets	1,609,559	1,261,585	2,871,144	321,753	3,192,897
Segment liabilities	105,169	808,135	913,304	218,701	1,132,005
Other segment information:					
Bank interest income	1,930	9,483	11,413	2,313	13,726
Imputed interest on interest-free trade and bills receivables with extended credit periods	–	–	–	234	234
Gain on deemed disposal of interests in an associate	–	–	–	22,878	22,878
Fair value loss on equity investments at fair value through profit or loss	–	–	–	16,301	16,301
Loss on disposal of equity investments at fair value through profit or loss	–	–	–	3,249	3,249
Impairment of segment assets, net	–	30	30	1,093	1,123
Finance costs	–	4,233	4,233	431	4,664
Depreciation	11,417	456	11,873	1,786	13,659
Amortisation of prepaid land lease payments	387	–	387	–	387
Amortisation of operating concessions	11,497	–	11,497	–	11,497
Amortisation of other intangible assets	3,206	375	3,581	544	4,125
Investments in joint ventures	5,967	–	5,967	12,639	18,606
Investments in associates	–	–	–	2,952	2,952
Capital expenditure*	769,035	1,227	770,262	740	771,002

* Capital expenditure consists of additions to property, plant and equipment, investment properties, prepaid land lease payments, operating concessions and other intangible assets (including assets from the acquisition of subsidiaries).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

Geographical information is not presented since over 90% of the Group's revenue from external customers is generated in Mainland China and over 90% of the non-current assets (other than financial assets) of the Group are located in Mainland China. Accordingly, in the opinion of the directors, the presentation of geographical information would provide no additional useful information to the users of the financial statements.

Information about major customers

During the year, the Group had transactions with an external customer (2014: three) which accounted for over 10% of the Group's total revenue from continuing operations. The revenue from continuing operations generated from sales to this customer is set out below:

	2015 **HK$'000**	2014 HK$'000
Customer A	**1,077,869#**	N/A
Customer B	*	44,996
Customer C	*	32,903
Customer D	*	14,670

* Less than 10% of the Group's total revenue from continuing operations.

The amount represented the deemed construction revenue from the provision of construction services to a government authority recognised according to HK(IFRIC) – 12 *Service Concession Arrangements*.

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue represents an appropriate proportion of contract revenue of construction contracts relating to solid waste treatment, income from solid waste treatment, sales of electricity and steam, net of value-added tax and government surcharges.

An analysis of the Group's revenue, other income and gains, net from continuing operations is as follows:

	2015 **HK$'000**	2014 HK$'000
Revenue		
Solid waste treatment	**49,502**	29,254
Sale of electricity	**117,179**	77,899
Sale of steam	**2,156**	1,363
Construction services	**1,077,869**	–
	1,246,706	108,516
Other income		
Bank interest income	**11,381**	11,413
Value added tax refund	**2,733**	–
Rental income	**523**	–
Others	**188**	149
	14,825	11,562
Gains, net		
Fair value gain on investment properties, net	**9,158**	–
Gain on disposal of an item of other intangible assets	**1,625**	–
Foreign exchange differences, net	**27,224**	242
	38,007	242
Other income and gains, net	**52,832**	11,804

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

6. PROFIT FROM OPERATING ACTIVITIES OF CONTINUING OPERATIONS

The Group's profit from operating activities of continuing operations is arrived at after charging/(crediting):

	Notes	2015 HK$'000	2014 HK$'000
Cost of raw materials consumed		**42,008**	31,659
Cost of waste treatment services rendered		**34,570**	18,203
Cost of construction services		**1,051,013**	–
Depreciation[Ω]		**14,264**	11,873
Minimum lease payments under operating leases		**3,397**	2,945
Fair value loss/(gain) on investment properties, net	14	**(9,158)**	185
Amortisation of prepaid land lease payments*	15	**589**	387
Amortisation of operating concessions*	17	**16,215**	11,497
Amortisation of other intangible assets*		**4,527**	3,581
Impairment of trade receivables#		**7,860**	–
Impairment of other receivables#		**2,399**	–
Impairment of an amount due from an associate#		**32**	30
Loss on disposal of items of property and equipment, net#		**192**	44
Auditors' remuneration		**2,250**	2,180
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**33,075**	16,419
Pension scheme contributions (defined contribution scheme)		**1,778**	1,384
		34,853	17,803

Ω Depreciation amount of HK$13,111,000 (2014: HK$10,139,000) is included in "Cost of sales" in the consolidated statement of profit or loss.

* The amortisation of prepaid land lease payments, operating concessions and other intangible assets, except computer software and golf club membership, are included in "Cost of sales" in the consolidated statement of profit or loss.

\# These items are included in "Other operating expenses, net" in the consolidated statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2015 HK$'000	2014 HK$'000
Interest on convertible bonds	7,910	1,621
Imputed interest on convertible bonds (note 27)	3,438	2,612
	11,348	4,233

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	1,420	1,461
Other emoluments:		
Salaries, allowances and benefits in kind	–	1,037
Pension scheme contributions	2	72
	2	1,109
	1,422	2,570

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

8. DIRECTORS' REMUNERATION *(continued)*

An analysis of directors' remuneration for the year is as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015				
Executive directors				
Mr. E Meng	130	–	–	130
Mr. Zhang Honghai[Ω]	60	–	–	60
Mr. Ke Jian	120	–	–	120
Ms. Sha Ning	120	–	–	120
Ms. Qin Xuemin	120	–	–	120
Mr. Ng Kong Fat, Brian	120	–	2	122
	670	–	2	672
Independent non-executive directors				
Dr. Jin Lizuo	150	–	–	150
Dr. Huan Guocang	150	–	–	150
Dr. Wang Jianping	150	–	–	150
Prof. Nie Yongfeng	150	–	–	150
Mr. Cheung Ming	150	–	–	150
	750	–	–	750
Total	1,420	–	2	1,422

Ω Resigned on 29 June 2015

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

8. DIRECTORS' REMUNERATION *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2014				
Executive directors				
Mr. E Meng	130	–	–	130
Mr. Zhang Honghai	120	–	–	120
Mr. Ke Jian	120	–	–	120
Mr. Wang Yong^	79	1,037	70	1,186
Ms. Sha Ning	120	–	–	120
Ms. Qin Xuemin	120	–	–	120
Mr. Ng Kong Fat, Brian	120	–	2	122
	809	1,037	72	1,918
Independent non-executive directors				
Dr. Jin Lizuo	150	–	–	150
Dr. Huan Guocang	150	–	–	150
Dr. Wang Jianping	150	–	–	150
Prof. Nie Yongfeng+	150	–	–	150
Mr. Cheung Ming&	52	–	–	52
	652	–	–	652
Total	1,461	1,037	72	2,570

^ Resigned on 28 August 2014

\+ Appointed on 1 January 2014

& Appointed on 28 August 2014

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year does not included any director (2014: one director, details of his remuneration are set out in note 8 above). Details of the remuneration of the five (2014: four) non-director, highest paid employees for the year are as follows:

	2015 HK$'000	2014 HK$'000
Salaries, allowances and benefits in kind	3,781	3,153
Pension scheme contributions	395	326
	4,176	3,479

The number of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2015	2014
Nil – HK$1,000,000	4	3
HK$1,000,001 – HK$1,500,000	1	1
	5	4

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2015 HK$'000	2014 HK$'000
Current – Mainland China		
Charge for the year	6,435	3,050
Overprovision in prior years	(663)	–
	5,772	3,050
Deferred – Mainland China (note 28)	6,933	(1,649)
Total tax charge for the year	12,705	1,401

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

10. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective rates are as follows:

	2015 **HK$'000**	2014 HK$'000
Profit before tax from continuing operations	**84,444**	8,934
Tax at the statutory tax rates	**17,564**	2,325
Effect of withholding tax on interest income from intercompany loans	**1,873**	1,267
Tax concession enjoyed	**(3,565)**	(1,783)
Adjustments in respect of current tax of previous periods	**(663)**	–
Loss attributable to a joint venture	**12**	5
Income not subject to tax	**(5,473)**	(2,488)
Expenses not deductible for tax	**3,395**	5,085
Tax losses utilised from previous periods	**–**	(3,049)
Tax losses recognised as deferred tax	**(480)**	–
Tax losses not recognised	**42**	–
Others	**–**	39
Tax expense at the Group's effective rate	**12,705**	1,401

In accordance with the relevant tax laws of the PRC, certain subsidiaries of the Group which are engaged in the solid waste treatment business are exempted from corporate income tax for three years starting from the first year they generated revenue and to be followed by a 50% tax reduction for the ensuing three years.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

11. DISCONTINUED OPERATION

The Group plans to focus its resources on its solid waste treatment business and had decided to cease its IT business during the year ended 31 December 2014. The Group's business in IT segment was mainly undertaken by the subsidiaries of BNHK (as defined in note 1 to the financial statements) and B E Information Technology Group Limited ("BEITG"), both are indirectly-owned subsidiaries of the Company.

On 9 October 2014 and 7 August 2015, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement and an equity transfer supplemental agreement, respectively, with independent third parties for the disposal of its 60% equity interest in BNHK and its subsidiary (collectively, the "BNHK Group") and the shareholder's loan owed by BNHK to the Company for a total cash consideration of HK$13,000,000. The disposal of BNHK was completed on 7 August 2015. Details of the transaction is disclosed in note 32 to the financial statements.

On 23 December 2014, Prime Technology Group Limited ("PTG"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with a fellow subsidiary of the Company, Beijing Enterprises Group Information Limited ("BEGIL", a wholly-owned subsidiary of BEGCL), pursuant to which PTG conditionally agreed to dispose of its 72% equity interest in BEITG and its subsidiaries (collectively, the "BEITG Group") and the shareholders' loans owed by the BEITG Group to the Company for a total cash consideration of HK$126,000,000 (the "BEITG Disposal"). The BEITG Disposal was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 19 May 2015 and the transaction was completed in March 2016 upon the settlement of the consideration by BEGIL (one of the condition precedents). A gain on the BEITG Disposal of approximately HK$70,000,000 is expected to be resulted from the disposal transaction in 2016.

The BEITG Group (2014: the BNHK Group and the BEITG Group) was classified as a disposal group held for sale and the IT segment was classified as a discontinued operation as at 31 December 2015.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

11. DISCONTINUED OPERATION *(continued)*

(a) The results of a discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2015 and 2014 are summarised as follows:

	2015 HK$'000	2014 HK$'000
Revenue	**219,956**	239,994
Other income and gains, net	**5,365**	3,868
Gain on disposal of a subsidiary (note 32)	**10,937**	–
Gain on deemed disposal of interests in an associate#	**–**	22,878
Fair value loss on equity investments at fair value through profit or loss	**–**	(16,301)
Loss on disposal of equity investments at fair value through profit or loss	**–**	(3,249)
Cost of sales and operating expenses	**(224,840)**	(250,040)
	11,418	(2,850)
Share of profits and losses of		
A joint venture	**786**	1,598
Associates	**42**	(999)
Profit/(loss) before tax from a discontinued operation	**12,246**	(2,251)
Income tax	**–**	(135)
Profit/(loss) for the year from a discontinued operation	**12,246**	(2,386)
Attributable to:		
Members of the Company	**11,785**	(162)
Non-controlling interests	**461**	(2,224)
	12,246	(2,386)

The gain on deemed disposal of interest in China Information Technology Development Limited ("CITD", an associate of the Group) was recognised as a result of the dilution of the Group's equity interest in CITD from approximately 21.1% to 7.03% following the issuance of 1,796,981,272 new ordinary shares by CITD upon the completion of an open offer during the year ended 31 December 2014.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

11. DISCONTINUED OPERATION *(continued)*

(b) The major classes of assets and liabilities of the disposal groups classified as held for sale as at 31 December are as follows:

	2015 HK$'000	2014 HK$'000
Assets		
Property and equipment	5,688	7,282
Other intangible assets	1,120	1,547
Investment in a joint venture	12,431	12,639
Investments in associates	2,887	2,952
Inventories	7,947	23,497
Amounts due from contract customers	833	398
Trade receivables	64,907	74,450
Prepayments, deposits and other receivables	51,801	72,572
Pledged deposits	220	305
Cash and cash equivalents	194,359	126,111
Assets of disposal groups classified as held for sale	342,193	321,753
Liabilities		
Trade and bills payables	99,206	111,510
Amounts due to contract customers	319	839
Interest-bearing bank borrowings	6,024	–
Other payables and accruals	123,678	106,352
Liabilities directly associated with the assets classified as held for sale	229,227	218,701
Net assets directly associated with disposal groups classified as held for sale	112,966	103,052

(c) The net cashflows of a discontinued operation dealt with in the consolidated financial statements for the years ended 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
Operating activities	72,798	(51,106)
Investing activities	(4,635)	9,124
Net cash inflow/(outflow) attributable to a discontinued operation	68,163	(41,982)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

11. DISCONTINUED OPERATION *(continued)*

(d) Earnings/(loss) per share from a discontinued operation

	2015 **HK cents**	2014 HK cents
Basic	**0.79**	(0.01)
Diluted	**0.78**	N/A

The calculation of the basic earnings/(loss) per share amounts from a discontinued operation is based on the profit for the year from a discontinued operation attributable to members of the Company of HK$11,785,000 (2014: loss of HK$162,000), and the weighted average number of ordinary shares in issue during the year (note 12).

The calculation of the diluted earnings per share amount from a discontinued operation for the year ended 31 December 2015 is based on the profit for the year from a discontinued operation attributable to members of the Company of HK$11,785,000, adjusted to reflected the effect of the exercise of all dilutive share options at the beginning of the year (note 12). No adjustment has been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during the year has an anti-dilutive effect on the basic earnings per share amount from a discontinued operation presented.

No adjustment had been made to the basic loss per share amount from a discontinued operation presented for the year ended 31 December 2014 in respect of a dilution as the impact of the share options and convertible bonds outstanding during that year had an anti-dilutive effect on the basic loss per share amount from a discontinued operation presented.

12. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY

The calculations of the basic earnings per share amounts are based on the profit for the year attributable to members of the Company and the profit from continuing operations attributable to members of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2015 is based on the profit for the year attributable to members of the Company, the profit from continuing operations attributable to members of the Company and the weighted average number of ordinary shares, adjusted to reflect the effect of the exercise of all dilutive share options and the deemed conversion of all convertible bonds at the beginning of the year.

The calculation of the diluted earnings per share amounts for the year ended 31 December 2014 is based on the profit for the year attributable to members of the Company and the profit from continuing operations attributable to members of the Company, adjusted to reflected the effect of the exercise of all dilutive share options at the beginning of the year. No adjustment has been made to the deemed conversion of convertible bonds as the impact of the convertible bonds outstanding during that year had an anti-dilutive effect on the basic earnings per share amounts presented.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

12. EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF THE COMPANY *(continued)*

The calculation of the basic and diluted earnings per share amounts is based on the following data:

	2015 HK$'000	2014 HK$'000
For profit for the year:		
Profit for the year attributable to members of the Company, used in the basic earnings per share calculation	**83,283**	7,519
Interest on convertible bonds	**11,348**	–
Profit for the year attributable to members of the Company, used in the diluted earnings per share calculation	**94,631**	7,519
For profit for the year from continuing operations:		
Profit for the year from continuing operations attributable to members of the Company, used in the basic earnings per share calculation	**71,498**	7,681
Interest on convertible bonds	**11,348**	–
Profit for the year from continuing operations attributable to members of the Company, used in the diluted earnings per share calculation	**82,846**	7,681

	2015	2014
Number of ordinary shares		
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculations	**1,498,022,890**	1,290,298,232
Effect of dilution – weighted average number of ordinary shares		
Share options	**17,552,955**	22,627,440
Convertible bonds	**700,000,000**	–
Weighted average number of ordinary shares, used in the diluted earnings per share calculations	**2,215,575,845**	1,312,925,672

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015							
At 31 December 2014 and 1 January 2015:							
Cost	81,736	631	155,075	1,295	2,662	–	241,399
Accumulated depreciation	(4,843)	(536)	(6,360)	(634)	(530)	–	(12,903)
Net carrying amount	76,893	95	148,715	661	2,132	–	228,496
Net carrying amount:							
At 1 January 2015	76,893	95	148,715	661	2,132	–	228,496
Additions	170	–	7,031	461	1,257	4,090	13,009
Depreciation provided during the year	(3,518)	(95)	(9,479)	(409)	(763)	–	(14,264)
Disposals	(192)	–	–	–	–	–	(192)
Exchange realignment	(2,694)	–	(5,316)	(22)	(89)	(99)	(8,220)
At 31 December 2015	70,659	–	140,951	691	2,537	3,991	218,829
At 31 December 2015:							
Cost	78,692	631	156,332	1,711	3,793	3,991	245,150
Accumulated depreciation	(8,033)	(631)	(15,381)	(1,020)	(1,256)	–	(26,321)
Net carrying amount	70,659	–	140,951	691	2,537	3,991	218,829

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014							
At 1 January 2014:							
Cost	–	4,396	–	29,454	6,586	–	40,436
Accumulated depreciation	–	(2,403)	–	(23,118)	(5,168)	–	(30,689)
Net carrying amount	–	1,993	–	6,336	1,418	–	9,747
Net carrying amount:							
At 1 January 2014	–	1,993	–	6,336	1,418	–	9,747
Additions	10,330	–	4,015	641	2,227	–	17,213
Acquisition of subsidiaries (note 31)	71,535	–	151,111	5	540	–	223,191
Assets included in a discontinued operation (note 11(b))	–	(1,272)	–	(4,633)	(1,377)	–	(7,282)
Depreciation provided during the year	(4,905)	(589)	(6,441)	(1,259)	(465)	–	(13,659)
Disposals	–	–	–	(285)	(155)	–	(440)
Exchange realignment	(67)	(37)	30	(144)	(56)	–	(274)
At 31 December 2014	76,893	95	148,715	661	2,132	–	228,496
At 31 December 2014:							
Cost	81,736	631	155,075	1,295	2,662	–	241,399
Accumulated depreciation	(4,843)	(536)	(6,360)	(634)	(530)	–	(12,903)
Net carrying amount	76,893	95	148,715	661	2,132	–	228,496

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

14. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**46,376**	47,752
Additions	**39,732**	–
Net gain/(loss) from a fair value adjustment (note 6)	**9,158**	(185)
Exchange realignment	**(1,674)**	(1,191)
Carrying amount at 31 December	**93,592**	46,376

Details of the investment properties, which are held under medium term leases, are as follows:

Location	Notes	Use	Attributable interest of the Group
1. Part of the second floor and the entire third floor, A No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC ("Golden Bridge Building")	(a)	Office building	85.5%
2. Block 5, Beikong Hong Chuang Technology Park, No. A1, Chaoqian Road, Changping District, Beijing, the PRC ("Hong Chuang Building")	(b)	Office building	100%

Notes:

(a) As the Golden Bridge Building is situated in a location under a proposed redevelopment plan of the Beijing Municipal Government, the Golden Bridge Building may be subject to demolishment in the near future.

At 31 December 2015, the Golden Bridge Building was vacant and was revalued based on valuation performed by 中和華（北京）資產評估有限公司, independent professionally qualified valuers registered in the PRC, in accordance with the relevant rules and regulations applicable to the demolishment in the PRC. Under the valuation method, fair value is estimated using assumption regarding the amount that currently would be required to compensate for the owner, which was measured at replacement cost. Principal assumptions include those related to land price and adjusted indices for plot ratio, original use of the building and planned use of the building.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

14. INVESTMENT PROPERTIES *(continued)*

Notes: *(continued)*

(b) On 14 February 2012, the Company entered into a property transfer agreement with 北京北控宏創科技有限公司 ("Hong Chuang", an indirect wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL", an intermediate holding company of the Company whose shares are listed on the Stock Exchange)), pursuant to which the Company agreed to purchase the Hong Chuang Building at a cash consideration of RMB32,000,460 and an amount of RMB25,600,368 was paid by the Company in 2012. However, since the Company had been in the process of applying for the change of registration of the title certificates with respect to the land use right and the buildings of the Hong Chuang Building and had not acquired the Hong Chuang Building in the prior years, the amount paid by the Company had been accounted for as a non-current prepayment in prior years.

On 31 August 2015, the Company entered into a property escrow agreement with Hong Chuang and pursuant to which Hong Chuang will provide the escrow services for sub-leasing the Hong Chuang Building for an escrow period of three years from 1 September 2015 to 31 August 2018 and at an annual rent of RMB2,575,987 (equivalent to approximately HK$3,180,000, subject to annual adjustment, if necessary). Further details of the transaction are set out in the Company's announcement dated 1 September 2015. During the year, the rental income recognised in profit and loss during the year amounted to HK$523,000 (2014: Nil). Despite that the Company is still in the process of applying for the change of registration of the title certificates with respect to the land use right and the buildings of the Hong Chuang Building up to the date of approval of these financial statements, the directors of the Company are of the opinion that the title of the property had been transferred to the Company according to the property transfer agreement upon the effective date of the property escrow agreement and the Company is entitled to the lawful and valid occupation or use of the Hong Chuang Building and that the Company would not have any legal barriers in obtaining the title certificates. Accordingly, the Hong Chuang Building was classified as investment property during the year ended 31 December 2015.

At 31 December 2015, the Hong Chuang Building was revalued based on valuation performed by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, by using the direct comparison approach. Under the direct comparison approach, it assumed sale of the properties in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market and also considered the basis of capitalisation of the net income receivable. Comparable properties are analysed and carefully weighted against all the respective advantages and disadvantages of each property, including location, quality, level, asking price adjustment, internal decoration, view and size in order to arrive at a fair comparison of capital value.

The aforementioned valuation has been made on the assumption that the Group sells the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such properties. In addition, no account has been taken of any option or right of per-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

14. INVESTMENT PROPERTIES *(continued)*

Notes: *(continued)*

(c) Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuation of the Group's investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussion with the valuer on the valuation assumptions and valuation results annually when the valuation is performed for annual financial reporting purpose.

The Group's investment properties are measured at fair value by applying valuation approach as described above using inputs which are not based on observable market data (unobservable inputs) at the end of each reporting period and such measurement is classified as level 3 in the fair value hierarchy of HKFRS 13.

During the year, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Fair value at 31 December 2015	Valuation techniques	Significant unobservable inputs	Range or weighted average of unobservable input(s)
Golden Bridge Building	HK$44,592,000	Relevant rules and regulations applicable to the demolishment in the PRC	Land price (per m^2)	RMB9,000 to RMB10,500
			Building price (per m^2)	RMB1,880
Hong Chuang Building	HK$49,000,000	Direct comparison approach	Selling property unit rate (per m^2)	RMB10,200 to RMB11,740

A significant increase/(decrease) in any of the above unobservable inputs in isolation would result in a significant increase/(decrease) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January		25,868	–
Acquisition of a subsidiary	31	–	26,250
Amortisation provided during the year	6	(589)	(387)
Exchange realignment		(920)	5
Carrying amount at 31 December		24,359	25,868

The leasehold land is situated in Mainland China and is held under a medium term lease.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

16. GOODWILL

	2015 HK$'000	2014 HK$'000
Cost and net carrying amount:		
At 1 January	**160,161**	–
Acquisition of subsidiaries (note 31)	**–**	160,161
At 31 December	**160,161**	160,161

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisition of subsidiaries has been allocated to the relevant business units of the solid waste treatment segment of the Group for impairment testing.

The recoverable amount of the relevant business units in the solid waste treatment segment has been determined based on a value-in-use calculation using cash flow projections based on financial forecast approved by senior management covering the service concession periods and based on the assumption that sizes of the operations remain constant perpetually. The discount rate applied to the cash flow projections is 11.1% (2014: 11.1%). The growth rate used to extrapolate the cash flows beyond the service concession periods is 2.5% (2014: 2.5%).

Based on the results of the impairment testing of goodwill, in the opinion of the directors, no impairment provision is considered necessary for the Group's goodwill as at 31 December 2015.

Assumptions were used in the value in use calculation of the relevant business units in the solid waste treatment segment for 31 December 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted turnover – It is based on the projected solid waste treatment volume and the latest solid waste treatment and electricity selling prices up to the date of the forecast.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Business environment – There have been no major changes in the existing political, legal and economic conditions in Mainland China. Under the service concession arrangements, the Group has been granted with priority for renewal of operating rights of its solid waste incineration plants. Given its performance record and its relationship with the grantors, the Group has key advantages over other operators. In addition, the high investment cost has also created an entry barrier for new competitors. Therefore, in the opinion of the directors, the operating rights of solid waste incineration plants shall be renewed upon expiry, and therefore the size of the solid waste treatment operation is expected to remain constant perpetually which enables the Group to generate income perpetually.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

17. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into two service concession arrangements with two governmental authorities in Mainland China on a BOT basis in respect of the construction and operation of solid waste incineration plants. These service concession arrangements involve the Group as an operator in (i) constructing the incineration plants (the "Facilities") for those arrangements on a BOT basis; and (ii) operating and maintaining the Facilities at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 27 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the Service Concession Periods at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facilities, but the relevant governmental authorities as grantors retain the beneficial entitlement to any residual interest in the Facilities at the end of the term of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the relevant subsidiaries and the relevant governmental authority in Mainland China that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

Details of the major terms of the service concession arrangements are set out as follows:

Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Practical processing capacity tonnes/day	Service concession period
Changde	Hunan	常德市環境衛生管理處	BOT	1,000	27 years from 2010 to 2037
BE Lvhaineng	Beijing	北京市海澱區市政市容管理委員會	BOT	2,500	30 years expecting from 2016 to 2046

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the land and the property, plant and equipment of the Facilities, which are generally registered under the name of the relevant subsidiaries of the Group, during the Service Concession Periods, but the Group is generally required to return the property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods under the BOT arrangements. At 31 December 2015, the Group was in the process of applying for the change of registration of the title certificates with respect to the land use right and the buildings of the Facilities to which the Group's service concession arrangements relate. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these buildings and land and that the Group would not have any legal barriers in obtaining the title certificates.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

17. SERVICE CONCESSION ARRANGEMENTS *(continued)*

As further explained in the accounting policy for "Service concession arrangements" set out in note 2.4 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as an intangible asset (operating concession) or a combination of an intangible asset and a financial asset (receivables under service concession arrangement), as appropriate.

The following is the summarised information of the intangible asset component (operating concessions) and the financial asset component (receivables under service concession arrangement) with respect to the Group's service concession arrangements:

Operating concessions

	2015 **HK$'000**	2014 HK$'000
At 1 January		
Cost	**397,912**	–
Accumulated amortisation	**(11,354)**	–
Net carrying amount	**386,558**	–
Net carrying amount:		
At 1 January	**386,558**	–
Acquisition of a subsidiary (note 31)	**–**	397,396
Addition	**355,058**	516
Amortisation provided during the year (note 6)	**(16,215)**	(11,497)
Exchange realignment	**(13,581)**	143
At 31 December	**711,820**	386,558
At 31 December		
Cost	**738,587**	397,912
Accumulated amortisation	**(26,767)**	(11,354)
Net carrying amount	**711,820**	386,558

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

17. SERVICE CONCESSION ARRANGEMENTS *(continued)*

Receivables under service concession arrangement

	2015 HK$'000	2014 HK$'000
Receivables under service concession arrangement	**696,838**	–
Portion classified as current assets	**(6,443)**	–
Non-current portion	**690,395**	–

An aged analysis of the Group's receivables under service concession arrangement as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2015 HK$'000	2014 HK$'000
Unbilled:		
Current portion	**6,443**	–
Non-current portion	**690,395**	–
	696,838	–

18. OTHER INTANGIBLE ASSETS

	Operating right# HK$'000	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
31 December 2015						
At 31 December 2014 and 1 January 2015:						
Cost	84,575	–	21,834	27	1,875	108,311
Accumulated amortisation	(2,325)	–	(841)	(1)	(1,531)	(4,698)
Net carrying amount	82,250	–	20,993	26	344	103,613
Net carrying amount:						
At 1 January 2015	82,250	–	20,993	26	344	103,613
Amortisation provided during the year	(3,444)	–	(986)	(3)	(94)	(4,527)
Disposals	–	–	–	–	(250)	(250)
Exchange realignment	(2,890)	–	(734)	(1)	–	(3,625)
At 31 December 2015	75,916	–	19,273	22	–	95,211
At 31 December 2015:						
Cost	81,518	–	21,044	26	–	102,588
Accumulated amortisation	(5,602)	–	(1,771)	(4)	–	(7,377)
Net carrying amount	75,916	–	19,273	22	–	95,211

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

18. OTHER INTANGIBLE ASSETS *(continued)*

	Operating right# HK$'000	Management information systems HK$'000	Licences HK$'000	Computer software HK$'000	Golf club membership HK$'000	Total HK$'000
31 December 2014						
At 1 January 2014						
Cost	–	24,691	2,469	2,648	1,875	31,683
Accumulated amortisation	–	(24,691)	(2,469)	(510)	(1,156)	(28,826)
Net carrying amount	–	–	–	2,138	719	2,857
Net carrying amount:						
At 1 January 2014	–	–	–	2,138	719	2,857
Additions	–	–	–	27	–	27
Acquisition of subsidiaries (note 31)	84,575	–	21,834	–	–	106,409
Assets included in assets of disposal groups classified as held for sale (note 11(b))	–	–	–	(1,547)	–	(1,547)
Amortisation provided during the year	(2,355)	–	(851)	(544)	(375)	(4,125)
Exchange realignment	30	–	10	(48)	–	(8)
At 31 December 2014	82,250	–	20,993	26	344	103,613
At 31 December 2014						
Cost	84,575	–	21,834	27	1,875	108,311
Accumulated amortisation	(2,325)	–	(841)	(1)	(1,531)	(4,698)
Net carrying amount	82,250	–	20,993	26	344	103,613

One of the subsidiaries acquired by the Group in 2014 was under a service concession arrangement for the construction and operation of a solid waste incineration plant with a governmental authority in Shandong, the PRC, on a BOO basis, for a period of 30 years commencing from 2008. The amount represents the fair value of the operating right under the BOO arrangement acquired by the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

19. INVESTMENT IN A JOINT VENTURE

	2015 **HK$'000**	2014 HK$'000
Share of net assets	**5,894**	5,967

Notes:

(a) Particulars of the Group's joint ventures, which are indirectly held by the Company, are as follows:

Name	Place of registration/ incorporation and business	Issued and paid-up capital/ registered capital	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Beijing Enterprises SITA Environmental Services Company Limited ("BE SITA")	Hong Kong	HK$10,000,000	60	50	60	Provision of consultancy services and technical support on environmental protection
北京教育信息網服務中心有限公司+	PRC/ Mainland China	RMB12,000,000	36	50	36	Provision of information network services

\+ Included in assets of disposal groups classified as held for sale as at 31 December 2015 (note 11).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

19. INVESTMENT IN A JOINT VENTURE *(continued)*

Notes: *(continued)*

(b) BE SITA, which is considered a material joint venture of the Group, is principally engaged in the provision of consultancy services and technical support on environmental protection to the Group and is accounted for using the equity method. The following table illustrates the summarised financial information of BE SITA adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2015	2014
	HK$'000	HK$'000
Cash and cash equivalents	**9,863**	10,000
Other current assets (excluding cash and cash equivalents)	**6,584**	–
Current assets	**16,447**	10,000
Other payables and accruals	**(40)**	(54)
Other current liabilities (excluding other payables and accruals)	**(6,583)**	(9,990)
Current liabilities	**(6,623)**	(10,044)
Net assets	**9,824**	(44)
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**60%**	60%
Carrying amount of the investment	**5,894**	(27)
Due from the joint venture	**–**	5,994
	5,894	5,967
Revenue	**–**	–
Loss for the year	**(122)**	(54)
Total comprehensive loss for the year	**(122)**	(54)

20. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Raw materials – coal and consumables	**3,913**	2,377

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

21. TRADE AND BILLS RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	**31,742**	44,484
Bills receivable	**4,819**	–
	36,561	44,484
Impairment (note b)	**(7,671)**	–
	28,890	44,484

Notes:

(a) An aged analysis of the Group's trade and bills receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2015 HK$'000	2014 HK$'000
Within 3 months	**23,728**	28,794
4 to 6 months	**90**	78
7 to 12 months	**123**	–
1 to 2 year	**3,771**	15,612
2 to 3 year	**1,178**	–
At 31 December	**28,890**	44,484

(b) The movements in the provision for impairment of trade and bills receivables during the years ended 31 December 2015 and 2014 are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**–**	22,895
Impairment during the year recognised in profit or loss, net	**7,860**	1,604
Transferred to assets of the disposal groups classified as held for sale	**–**	(23,906)
Exchange realignment	**(189)**	(593)
At 31 December	**7,671**	–

Included in the above provision of impairment of trade receivables is a provision for individually impaired trade receivables of HK$7,671,000 (2014: Nil) with a carrying amount before provision of HK$29,754,000 (2014: Nil). The individually impaired trade receivables related to customers that were in financial difficulties or were in default in payments and only a portion of the receivables is expected to be recovered.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

21. TRADE AND BILLS RECEIVABLES *(continued)*

Notes: *(continued)*

(c) Various companies of the Group have different credit policies, depending on the requirements of their markets in which they operate and the businesses they engage in. The credit period granted to customers is generally one to six months. An aged analysis of the trade and bills receivables is regularly prepared and closely monitored in order to minimise any related credit risk. Trade and bills receivables are non-interest-bearing and the Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The aged analysis of the Group's trade and bills receivables as at the end of the reporting period that are not individually nor collectively considered to be impaired is as follows:

	2015 **HK$'000**	2014 HK$'000
Neither past due nor impaired	**6,527**	22,190
Past due but not impaired:		
Within 3 months	**97**	4,109
4 to 6 months	**93**	2,639
7 to 12 months	**90**	3,081
Over 1 year	**–**	12,465
	280	22,294
	6,807	44,484

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2015 HK$'000	2014 HK$'000
Prepayments		**5,908**	35,620
Deposits and other receivables		**16,474**	15,987
Due from fellow subsidiaries	(a)	**566**	45
Due from non-controlling equity holders	(a)	**1,925**	126,997
		24,873	178,649
Impairment	(b)	**(6,073)**	(3,872)
	(c)	**18,800**	174,777
Portion classified as current assets		**(16,522)**	(142,777)
Non-current portion	(d)	**2,278**	32,000

Notes:

(a) The balances with fellow subsidiaries and non-controlling equity holders are unsecured, interest-free and have no fixed terms of repayment.

(b) The movements in provision for impairment of other receivables during the year are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**3,872**	12,032
Impairment/(reversal of impairment) during the year recognised in profit or loss, net	**2,399**	(511)
Transferred to assets of disposal groups classified as held for sale	**–**	(7,354)
Exchange realignment	**(198)**	(295)
At 31 December	**6,073**	3,872

The above provision for impairment of other receivables is a provision for individually impaired other receivables.

(c) Other than the aforementioned impaired other receivables, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to the receivables for which there was no recent history of default.

(d) At 31 December 2014, the non-current portion represented the prepayment for the acquisition of the investment properties of RMB25,600,000 (equivalent to HK$32,000,000) paid to Hong Chuang. The transaction has been completed in 2015 and the balance was transferred to investment properties during the year (note 14(b)).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

23. CASH AND CASH EQUIVALENTS

	Notes	2015 HK$'000	2014 HK$'000
Cash and bank balances other than time deposits			
Placed in banks	(a), (b)	**831,051**	1,092,244
Placed in a financial institution	(c)	**54**	–
		831,105	1,092,244
Time deposits	(b)	**1,031,264**	600,223
Cash and cash equivalents		**1,862,369**	1,692,467

Notes:

(a) At 31 December 2015, the total cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$800,601,000 (2014: HK$486,852,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

(c) At 31 December 2015, RMB45,000 (equivalent to HK$54,000) was placed in Beijing Enterprises Group Finance Co., Ltd. ("BG Finance", a wholly-owned subsidiary of BEGCL), which is an authorised financial institution under China Banking Regulatory Commission, by the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

24. SHARE CAPITAL

Shares

	2015 HK$'000	2014 HK$'000
Issued and fully paid:		
1,499,360,150 (2014: 1,496,060,150) ordinary shares	**2,225,723**	2,219,647

A summary of the movements in the Company's share capital during the year is as follows:

	Notes	Number of ordinary shares in issue	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2014		854,960,150	854,960	192,892	9,721	1,057,573
Transition to no-par value regime on 3 March 2014	(a)	–	202,613	(192,892)	(9,721)	–
Conversion of convertible bonds	(b)	286,000,000	329,119	–	–	329,119
Issue of new shares for acquisition of subsidiaries	(c)	347,000,000	818,920	–	–	818,920
Issue of shares upon exercise of share options	25(c)	8,100,000	14,035	–	–	14,035
At 31 December 2014 and 1 January 2015		**1,496,060,150**	**2,219,647**	**–**	**–**	**2,219,647**
Issue of shares upon exercise of share options	25(c)	**3,300,000**	**6,076**	**–**	**–**	**6,076**
At 31 December 2015		**1,499,360,150**	**2,225,723**	**–**	**–**	**2,225,723**

Notes:

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of share premium account and capital redemption reserve had become part of the Company's share capital.

(b) On 25 April 2014, certain convertible bonds with an aggregate principal amount of HK$323,180,000 were converted into 286,000,000 ordinary shares of the Company at the conversion price of HK$1.13 per share by Idata (note 27).

(c) On 29 April 2014, 347,000,000 ordinary shares of the Company were issued at the market price of HK$2.36 per share as part of the consideration to acquire the entire equity interests in and shareholders loans of KCS Taian Investments Company Limited ("KCS Taian") and KCS Changde Investments Company Limited ("KCS Changde"). Further details of this acquisition are set out in note 31 to the financial statements.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

24. SHARE CAPITAL *(continued)*

Share options

Details of the Company's share option scheme (the "Scheme") and the share options issued under the Scheme are included in note 25 to the financial statements.

25. SHARE OPTION SCHEME

The purpose of the Scheme is (i) to attract and retain the best quality personnel for the development of the Company's business; (ii) to provide incentives or rewards to eligible participants; and (iii) to promote the long term financial success of the Company by aligning the interests of grantees to shareholders. Eligible participants of the Scheme include (i) any person employed by the Company or a subsidiary of the Company and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary of the Company; (ii) any non-executive director and any independent non-executive director, or officer of any member of the Group; and (iii) any consultant of any member of the Group. The Scheme became effective on 31 May 2011 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the number of ordinary shares of the Company in issue at any time. The maximum number of ordinary shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the ordinary shares of the Company in issue at any time. Any further grant of share options in excess of these limits is subject to shareholders' approval in a general meeting.

Share options granted to a director or chief executive of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the ordinary shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's ordinary shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after the acceptance of the share options or a certain vesting period, if any, and ends on a date which is not later than ten years from the date on which the offer of the share options.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the closing price of the Company's ordinary shares on the Stock Exchange on the date of offer of the share options; and (ii) the average closing price of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. The share options are non-transferrable and lapse when expire or within three months from the date on which the grantee ceases to be an employee of the Group.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

25. SHARE OPTION SCHEME *(continued)*

The following table sets out the movements in the share options granted under the Scheme during the years ended 31 December 2015 and 2014:

	Notes	Number of share options 2015	2014
At 1 January		**42,820,000**	50,920,000
Exercised during the year	(c)	**(3,300,000)**	(8,100,000)
At 31 December	(d)	**39,520,000**	42,820,000

Notes:

(a) The exercise price of the share options is HK$1.25 per share, which is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. The share options are exercisable during the period from 21 June 2011 to 20 June 2021.

(b) No share option was granted, forfeited and lapsed during the years ended 31 December 2015 and 2014.

(c) 3,300,000 (2014: 8,100,000) share options at the exercise price of HK$1.25 per share were exercised by employees/consultants of the Company during the year ended 31 December 2015, resulting in issue of 3,300,000 ordinary shares for a total cash consideration of HK$4,125,000 (2014: HK$10,125,000).

(d) At 31 December 2015, the Company had 39,520,000 (2014: 42,820,000) share options outstanding under the Scheme, which represented approximately 2.6% (2014: 2.9%) of the Company's ordinary shares in issue at that date.

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 39,520,000 (2014: 42,820,000) additional ordinary shares of the Company and additional share capital of HK$71,192,000 (2014: HK$77,268,000), before any issuance expenses.

(e) Subsequent to the reporting date, 1,000,000 share options outstanding as at 31 December 2015 were exercised by a consultant of the Company, resulting in issue of 1,000,000 ordinary shares for a total cash consideration of HK$1,250,000.

At the date of approval of these financial statements, the Company had 38,520,000 share options outstanding under the Scheme, which represented approximately 2.6% of the Company's ordinary shares in issue at that date.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

26. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 37 of the financial statements.

(b) The capital redemption reserve represents the par value of ordinary shares of the Company which had been repurchased and cancelled in prior years.

(c) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy of share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital account when the related share options are exercised, or transferred to retained profits/accumulated losses should the related share options expire or be forfeited.

(d) PRC reserve funds are reserves set aside in accordance with the PRC Companies Law or the Law of the PRC on Joint Ventures Using Chinese and Foreign Investment as applicable to the Group's PRC subsidiaries. None of the Group's PRC reserve funds as at 31 December 2015 was distributable in the form of cash dividends (2014: Nil).

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

27. CONVERTIBLE BONDS

A summary of the movements in the principal amount, liability and equity components of the Company's convertible bonds during the year ended 31 December 2015 is as follows:

	Batch 1 HK$'000 (note (a))	Batch 2 HK$'000 (note (b))	Batch 3 HK$'000 (note (d))	Total HK$'000
Principal amount outstanding				
At 1 January 2014	300,580	–	–	300,580
Issue of convertible bonds	–	113,000	700,600	813,600
Conversion into ordinary shares of the Company (note (c))	(300,580)	(22,600)	–	(323,180)
At 31 December 2014, 1 January 2015 and 31 December 2015	**–**	**90,400**	**700,600**	**791,000**
Liability component				
At 1 January 2014	272,541	–	–	272,541
Issue of convertible bonds	–	108,780	692,318	801,098
Imputed interest expenses (note 7)	2,007	584	21	2,612
Conversion into ordinary shares of the Company	(274,548)	(21,756)	–	(296,304)
At 31 December 2014 and 1 January 2015	**–**	**87,608**	**692,339**	**779,947**
Imputed interest expenses (note 7)	**–**	**864**	**2,574**	**3,438**
At 31 December 2015	**–**	**88,472**	**694,913**	**783,385**
Equity component				
At 1 January 2014	31,971	–	–	31,971
Issue of convertible bonds	–	4,220	8,282	12,502
Conversion to ordinary shares of the Company	(31,971)	(844)	–	(32,815)
At 31 December 2014, 1 January 2015 and 31 December 2015	**–**	**3,376**	**8,282**	**11,658**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

27. CONVERTIBLE BONDS *(continued)*

Notes:

(a) On 28 February 2013, pursuant to the conditional subscription agreement dated 15 September 2011 (as amended by the supplemental agreements in relation thereto, collectively the "Subscription Agreement") entered into between the Company, Idata, as subscriber, and BEHL, as guarantor, inter alia, convertible bonds of the Company with an aggregate principal amount of HK$300,580,000 and an initial conversion price of HK$1.13 per share were issued to Idata. The convertible bonds bear interest at 1% per annum and have a maturity ended on 28 February 2018. In addition, subject to the Company's satisfaction of certain pre-conditions to giving notice within one year from 28 February 2013, the Company shall have the discretion to notify Idata at any time during the term of the convertible bonds to require Idata to subscribe for such amount of standby convertible bonds of an aggregate principal amount of HK$3,000,150,000 at the initial conversion price of HK$1.13 per share, as the Company may, from time to time, consider appropriate. Further details of the transactions are set out in the Company's circular dated 21 December 2012 and the Company's announcement dated 28 February 2013. The convertible bonds had been fully converted into ordinary shares of the Company during the year ended 31 December 2014.

(b) On 24 April 2014, pursuant to the Subscription Agreement, Idata subscribed for the issue of part of the standby convertible bonds in the principal amount of HK$113,000,000. Further details of the transaction are set out in the Company's announcement dated 24 April 2014.

(c) On 25 April 2014, certain convertible bonds with an aggregate principal amount of HK$323,180,000 were converted into 286,000,000 ordinary shares of the Company at the conversion price of HK$1.13 per share.

(d) On 29 December 2014, pursuant to the Subscription Agreement, Idata subscribed for the issue of part of the standby convertible bonds in the principal amount of HK$700,600,000. Further details of the transaction are set out in the Company's announcement dated 29 December 2014.

The Company's convertible bonds are bifurcated into liability and equity components for accounting purpose. The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

28. DEFERRED TAX ASSETS/LIABILITIES

An analysis of the net deferred tax assets/(liabilities) recognised in the statement of financial position is as follows:

	2015 HK$'000	2014 HK$'000
Deferred tax assets	**2,629**	–
Deferred tax liabilities	**(67,671)**	(60,463)
	(65,042)	(60,463)

The components of deferred tax assets and liabilities and the movements during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000	**Fair value adjustments arising from acquisition of subsidiaries** HK$'000	**Temporary differences related to service concession arrangements** HK$'000	**Impairment provision** HK$'000	**Net deferred tax assets/ (liabilities)** HK$'000
At 1 January 2014	–	–	–	–	–
Acquisition of subsidiaries (note 31)	–	(62,091)	–	–	(62,091)
Deferred tax credited to profit or loss during the year (note 10)	–	1,649	–	–	1,649
Exchange realignment	–	(21)	–	–	(21)
At 31 December 2014 and 1 January 2015	**–**	**(60,463)**	**–**	**–**	**(60,463)**
Deferred tax credited/ (charged) to profit or loss during the year (note 10)	**1,473**	**2,556**	**(13,527)**	**2,565**	**(6,933)**
Exchange realignment	**(35)**	**2,125**	**326**	**(62)**	**2,354**
At 31 December 2015	**1,438**	**(55,782)**	**(13,201)**	**2,503**	**(65,042)**

At 31 December 2015, deferred tax assets have not been recognised in respect of (i) unused tax losses arising in Hong Kong of approximately HK$132,390,000 (2014: HK$132,461,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose; and (ii) unused tax losses arising in Mainland China of HK$5,532,000 (2014: HK$6,337,000) that will expire in one to five years for offsetting against future taxable profit, as they have been arisen in certain subsidiaries that have been loss-making for some time and it is not probable that taxable profits will be available against which such tax losses can be utilised.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

28. DEFERRED TAX ASSETS/LIABILITIES *(continued)*

Pursuant to the PRC Corporate Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rates are 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries and the joint venture established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and the joint venture established in Mainland China (2014: Nil). In the opinion of the directors, it is not probable that these subsidiaries and joint venture will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and the joint venture in Mainland China for which deferred tax liabilities have not been recognised totaled approximately HK$3,235,000 (2014: HK$1,227,000) as at 31 December 2015.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. TRADE PAYABLES

The trade payables are non-interest-bearing and normally settled within one to six months.

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015	2014
	HK$'000	HK$'000
Billed:		
Less than 3 months	**6,638**	5,963
4 to 6 months	**109**	786
7 to 12 months	**171**	138
Over 1 year	**765**	144
	7,683	7,031
Unbilled	**1,003,012**	–
	1,010,695	7,031

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

30. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Receipts in advance	–	1,400
Other payables	34,083	36,578
Accruals	8,661	9,621
Due to the immediate holding company	121	–
Due to a joint venture	6,692	–
Due to fellow subsidiaries	8,739	1,844
	58,296	49,443

The balances with the immediate holding company, a joint venture and fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and have an average term of three to six months in general.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

31. BUSINESS COMBINATIONS

On 29 April 2014, the Group acquired the entire equity interests in and the shareholders loans of KCS Taian and KCS Changde from an independent third party at a total consideration of RMB520,000,000. The consideration was satisfied as to RMB86,790,000 (equivalent to HK$107,880,000) by cash and RMB433,210,000 by the issue of 347,000,000 ordinary shares of the Company at an issue price of HK$1.60 per share (fair value of which on issue date was HK$2.36 per share). Further details of the transaction are set out in the Company's circular dated 27 March 2014.

KCS Taian and KCS Changde are engaged in the solid waste treatment business.

The fair values of the identifiable assets and liabilities of KCS Taian and KCS Changde as at the date of acquisition were as follows:

		2014		
	Notes	KCS Taian HK$'000	KCS Changde HK$'000	Total HK$'000
Net assets acquired:				
Property, plant and equipment	13	221,250	1,941	223,191
Prepaid land lease payments	15	26,250	–	26,250
Operating concession	17	–	397,396	397,396
Other intangible assets	18	94,992	11,417	106,409
Inventories		3,679	1,403	5,082
Trade receivables		16,396	33,217	49,613
Prepayments, deposits and other receivables		21,211	15,693	36,904
Cash and cash equivalents		23,114	23,829	46,943
Trade payables		(3,043)	(4,336)	(7,379)
Other payables and accruals		(16,698)	(32,245)	(48,943)
Tax payables		(4,289)	(2,447)	(6,736)
Deferred tax liabilities	28	(25,306)	(36,785)	(62,091)
		357,556	409,083	766,639
Goodwill on acquisition	16			160,161
				926,800
Satisfied by:				
Cash				107,880
Issue of new ordinary shares of the Company as consideration	24(c)			818,920
				926,800
Net cash outflow arising from acquisition:				
Cash consideration				107,880
Cash and cash equivalents acquired				(46,943)
				60,937

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

31. BUSINESS COMBINATIONS *(continued)*

The fair values, which are also the gross contractual amounts, of trade receivables and prepayments, deposits and other receivables as at the date of acquisition amounted to HK$49,613,000 and HK$36,904,000, respectively, and all of which are expected to be collectible.

The Group incurred transaction costs of HK$3,450,000 for this acquisition. These transaction costs have been expensed and also included in administrative expenses in the consolidated statement of profit or loss.

During the year ended 31 December 2014, the acquired businesses contributed HK$108,516,000 and HK$24,626,000 to the Group's turnover and profit for the year between the date of acquisition and the end of that year, respectively.

Had the above acquisition been effected at the beginning of the year ended 31 December 2014, the total amount of revenue of the Group for the year ended 31 December 2014 would have been HK$154,411,000, and the amount of the profit for the year would have been HK$10,023,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the year ended 31 December 2014, nor is it intended to be a projection of future results.

32. DISPOSAL OF A SUBSIDIARY

On 9 October 2014 and 7 August 2015, Business Net Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement and an equity transfer supplemental agreement, respectively, with independent third parties for the disposal of its 60% equity interest in BNHK Group and the shareholder's loan owed by BNHK to the Company for a total consideration of HK$13,000,000. The disposal of BNHK was completed on 7 August 2015.

	2015 **HK$'000**
Net assets disposed of:	
Property and equipment	**252**
Inventories	**236**
Trade receivables	**718**
Prepayments, deposits and other receivables	**1,298**
Cash and cash equivalents	**6,283**
Trade payable	**(686)**
Other payables and accruals	**(20,846)**
Non-controlling interests	**17,220**
	4,475
Exchange fluctuation reserve realised	**(2,425)**
Transaction costs	**13**
Gain on disposal of a subsidiary, included in a discontinued operation (note 11(a))	**10,937**
Satisfied by cash	**13,000**

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

32. DISPOSAL OF A SUBSIDIARY *(continued)*

An analysis of net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2015 HK$'000
Cash consideration	13,000
Cash and cash equivalents disposed of	(6,283)
Transaction costs paid	(13)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	6,704

33. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2015 (2014: Nil).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14(b)) under operating lease arrangement, with lease negotiated for term of three years.

At the end of the reporting period, the Group had total future minimum lease payments under a non-cancellable operating lease with Hong Chuang falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	3,104	–
In the second to fifth years, inclusive	5,173	–
	8,277	–

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements, with the leases negotiated for terms ranging from one to five years (2014: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 HK$'000	2014 HK$'000
Within one year	6,548	4,074
In the second to fifth years, inclusive	9,424	–
	15,972	4,074

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

35. CAPITAL COMMITMENTS

At the end of the reporting period, in addition to the operating lease commitments detailed in note 34 above, the Group and the Company had capital commitments as follows:

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for:		
New service concession arrangement*	**111,446**	1,156,250
Property	**–**	8,000
	111,446	1,164,250

* On 26 December 2014, BE Lvhaineng entered into a licensed operation agreement with 北京市海淀區市政市容管理委員會, pursuant to which BE Lvhaineng has granted the exclusive right for the operation and maintenance of a waste incineration plant known as 北京市海淀區循環經濟產業園再生能源發電廠PPP項目 for a licensed operation period of 30 years at a licensed operation fee of RMB925,000,000 (equivalent to approximately HK$1,114,458,000) to be payable upon the commencement of its operation. Further details of the licensed operation agreement are set out in the Company's announcement dated 29 December 2014.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

36. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

Name of related party	**Name of transactions**	Notes	**2015 HK$'000**	2014 HK$'000
With fellow subsidiaries:				
Hong Chuang	Rental income received#	(i)	**523**	–
北京市政交通一卡通有限公司	Purchases of goods@	(ii)	**–**	1,639
Hong Chuang	Property service fee paid@	(iii)	**1,129**	1,739
Beijing Enterprises (Properties) Limited	Rental expenses paid@	(iv)	**240**	240
BG Finance	Interest received from#	(v)	**64**	–
With joint ventures:				
BE SITA	Consultancy service fee paid	(vi)	**11,584**	–
北京教育信息網服務中心有限公司	Sub-contracting fee paid	(vii)	**–**	903
	Sales of products	(vii)	**–**	3,089
With an associate:				
北京北控電信通智能科技有限公司	Purchases of goods	(ii)	**3,833**	19,718
With a non-controlling interest:				
北京教育網絡和信息中心	Service income received	(viii)	**7,271**	16,259
	Sales of products	(viii)	**10,074**	8,370
	Software development income received	(viii)	**2,734**	5,835

\# These transactions constitute continuing connected transactions that are subject to the announcement, reporting and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

@ These transactions constitute continuing connected transactions that are exempted from the reporting, announcement and independent shareholders' approval requirements as defined in Chapter 14A of the Listing Rules.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

36. RELATED PARTY DISCLOSURES *(continued)*

(a) *(continued)*

Notes:

(i) The rental income received from Hong Chuang in respect of the Hong Chuang Building was mutually agreed between the parties under the property escrow agreement dated 31 August 2015 and was determined with reference to the prevailing market rent generally applicable to similar properties in the market. Further details of the transaction are set out in the Company's announcement dated 1 September 2015.

(ii) The purchase prices of goods were based on terms and conditions mutually agreed between the parties.

(iii) The property service fee payable to Hong Chuang in respect of the Hong Chuang Building was determined in accordance with the property services contract entered into between the parties.

(iv) The rental expenses payable to Beijing Enterprises (Properties) Limited were determined by reference to the prevailing market rentals.

(v) The interest received from BG Finance was mutually agreed between the parties under the deposit services master agreement dated 29 June 2015, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain deposits with BG Finance on normal commercial terms from time to time for the period from 29 June 2015 to 31 December 2017. The deposit rate will not be lower than (i) the minimum interest rate prescribed by the People's Bank of China; (ii) the interest rates offered by commercial banks in Hong Kong and the PRC to the Group; and (iii) the interest rates offered by BG Finance to other members of BEGCL for the same type of deposits at the same period; and the cumulative daily outstanding deposit balance in Hong Kong dollars equivalent placed by the Group with BG Finance (including any interest accrued thereon) during the term of the agreement will not exceed HK$159,000,000. Further details of the transactions are set out in the Company's announcement dated 29 June 2015.

(vi) The consultancy service fee paid to BE SITA was based on terms and conditions mutually agreed between the parties.

(vii) The sub-contracting fee paid to and the sales of products to 北京教育信息網服務中心有限公司 were based on terms and conditions mutually agreed between the parties.

(viii) The service income and software development income received from and sales of products to 北京教育網絡和信息中心 were based on terms and conditions mutually agreed between the parties.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

36. RELATED PARTY DISCLOSURES *(continued)*

(b) Outstanding balances with related parties

(i) Details of the Group's prepayments, deposits and other receivables due from fellow subsidiaries and non-controlling interests as at the end of the reporting period are disclosed in note 22 to the financial statements, respectively.

(ii) Details of the Group's cash deposits placed in a fellow subsidiary as at the end of the reporting period are disclosed in note 23(c) to the financial statements.

(iii) Details of the Group's other payables due to the immediate holding company, a joint venture and fellow subsidiaries as at the end of the reporting period are disclosed in note 30 to the financial statements, respectively.

(c) Compensation of key management personnel of the Group

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**4,655**	5,493
Post-employment benefits	**370**	454
Total compensation paid to key management personnel	**5,025**	5,947

Further details of directors' emoluments are included in note 8 to the financial statements.

(d) Transactions with other state-owned entities in Mainland China

The Company is a state-owned enterprise of the PRC government and is subject to the control of the Beijing SASAC and ultimate control of the PRC government. The Group operates in an economic environment predominated by enterprises directly or indirectly owned and/or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "Other SOEs"). During the year, the Group has transactions with Other SOEs including, but not limited to, bank deposits and borrowings and utilities consumptions. The directors consider that the transactions with the Other SOEs are activities in the ordinary course of the Group's businesses, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the Other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are Other SOEs. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

37. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group and the Company as at 31 December 2015 and 2014 were loans and receivables and financial liabilities stated at amortised cost, respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities which are due to be received or settled within one year and the liability component of the convertible bonds are reasonable approximation of their respective fair values, and accordingly, no disclosure of the fair values of these financial instruments is made.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. These financial instruments are used for the Group's working capital. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The carrying amounts of the Group's financial instruments approximated to their fair values as at the end of each reporting period as financial instruments included in current assets and current liabilities are with short term maturities and financial instruments included in non-current assets and non-current liabilities are discounted at effective interest rates. Accordingly, no separate disclosure of the fair values of the Group's financial instruments is made in the financial statements.

The main risks arising from the Group's financial instruments are (a) interest rate risk, (b) foreign currency risk, (c) credit risk and (d) liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Interest rate risk

The following table sets out the carrying amounts of the Group's financial instruments as at the end of the reporting period that are exposed to interest rate risk. All these financial instruments will be matured within one year:

	HK$'000	Effective interest rate %
At 31 December 2015		
Floating rate:		
Pledged deposits	**220**	**–**
Bank balances	**1,017,688**	**0.16**
Fixed rate:		
Time deposits	**1,038,494**	**1.19**
At 31 December 2014		
Floating rate:		
Pledged deposits	305	–
Bank balances	1,207,477	0.33
Fixed rate:		
Time deposits	610,223	1.43

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Foreign currency risk

The Group's businesses are mainly carried out by subsidiaries located in Mainland China and the majority of its transactions are conducted in RMB. The Group therefore has minimal transactional currency exposure which arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, and the net assets of the Group's investments in these Mainland China subsidiaries are exposed to foreign currency translational risk.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and of the Group's equity resulted from the translation of the Group's foreign operations.

	Increase/ (decrease) in RMB rate %	Increase/ (decrease) in profit before tax HK$'000	Increase/ (decrease) in equity HK$'000
2015			
If HK$ weakens against RMB	**5**	**(5,429)**	**49,740**
If HK$ strengthens against RMB	**(5)**	**5,429**	**(49,740)**
2014			
If HK$ weakens against RMB	5	(1,064)	30,430
If HK$ strengthens against RMB	(5)	1,064	(30,430)

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Credit risk

The carrying amount of trade and bills receivables, other receivables and cash and cash equivalents included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

The Group trades only with recognised and creditworthy third parties and receivable balances are monitored on an ongoing basis, therefore the Group's exposure to bad debts is not significant.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. At 31 December 2015 the Group had certain concentration of credit risk as 11% (2014: 18%) and 65% (2014: 50%) of the total trade and bills receivables were due from the Group's largest external customer and the Group's top five largest customers, respectively.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

The Group places its cash deposits with major international banks in Hong Kong and state-owned banks in Mainland China. This investment policy limits the Group's exposure to the concentration of credit risk.

The credit risk of the Group's other financial assets, which comprise amounts due from related parties and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial liabilities and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Financial liabilities of the Group and the Company included in current liabilities as at the end of the reporting period either had no fixed terms of repayment or were due for repayment within one year.

The liquidity risk of the Group is considered minimal as the Group is able to maintain adequate cash inflows from operations and there is no requirement to obtain external financing to finance the working capital of the Group.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group's objective for managing capital is to maintain a strong capital base to support the development of its business. The Group recognises the impact on shareholder returns by the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possibly with greater leverage.

An annual capital plan of the Group is prepared and approved by the board of directors with the objective of maintaining both the optimal amount of capital and the mix between the different components of capital. The Group manages its own capital within the context of the approved annual capital plan, which determines the level of risk-weighted asset growth and the optimal amount and mix of capital required to support the planned business growth. As part of the Group's capital management policy, capital generated by subsidiaries in excess of planned requirements will return to the Group, normally by way of dividends.

The Company is primarily a provider of equity capital to its subsidiaries. These investments are substantially funded by the Group's own capital issuance. The Group seeks to maintain a prudent balance between the composition of its capital and that of its investments in subsidiaries.

The principal forms of capital are included in share capital and reserves in the consolidated statement of financial position.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

40. EVENTS AFTER THE REPORTING PERIOD

(a) On 8 January 2016, 1,000,000 share options outstanding as at 31 December 2015 were exercised by a consultant of the Company, as further detailed in note 25 to the financial statements.

(b) In March 2016, the disposal of 72% equity interest in the BEITG Group and the shareholders' loans owed by the BEITG Group to the Company was completed, as further detailed in note 11 to the financial statements.

(c) On 31 March 2016, the Company entered into a sale and purchase agreement with BEHL, pursuant to which the Company has conditionally agreed to acquire and BEHL has conditionally agreed to sell the equity interests of certain companies engaged in waste treatment business at an aggregate consideration of RMB1,850,000,000 (equivalent to approximately HK$2,202,300,000), which will be satisfied by the issue of new convertible bonds with initial conversion price of HK$1.13 per share. The transaction is subject to, among other things, the approval of independent shareholders of the Company at an extraordinary general meeting. Further details of the transaction are set out in the Company's announcement dated 31 March 2016.

(d) On 31 March 2016, Idata has agreed to unilaterally waive (i) the payment of paid interests accrued on the convertible bonds amounting to approximately HK$12,059,000 and refund such interests in full to the Company; and (ii) all interest payable under the outstanding convertible bonds to be incurred from 31 March 2016 to its maturity date. Further details of the waiver and refund of interests are set out in the Company's announcement dated 31 March 2016.

(e) On 31 March 2016, the directors proposed to change the name of the Company from "Beijing Development (Hong Kong) Limited 北京發展（香港）有限公司" to "Beijing Enterprises Environment Group Limited 北京控股環境集團有限公司". The proposed change of company name is subject to, among other things, the approval of shareholders of the Company at an extraordinary general meeting. Further details of the proposed change of company name are set out in the Company's announcement dated 31 March 2016.

41. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements, Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

42. OTHER FINANCIAL INFORMATION

The net current assets and total assets less current liabilities of the Group as at 31 December 2015 amounted to HK$944,813,000 (2014: HK$1,912,263,000) and HK$2,949,981,000 (2014: HK$2,901,302,000), respectively.

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 HK$'000	2014 HK$'000
ASSETS		
Non-current assets:		
Office equipment and motor vehicle	1,069	1,551
Investment properties	49,000	–
Other intangible assets	–	344
Investments in subsidiaries	1,741,785	1,557,783
Prepayment	–	32,000
Total non-current assets	1,791,854	1,591,678
Current assets:		
Prepayments, deposits and other receivables	31,500	149,774
Cash and cash equivalents	1,044,869	1,178,346
Total current assets	1,076,369	1,328,120
TOTAL ASSETS	2,868,223	2,919,798
EQUITY AND LIABILITIES		
Equity:		
Share capital	2,225,723	2,219,647
Equity component of convertible bonds	11,658	11,658
Other reserves (note)	(188,476)	(209,560)
TOTAL EQUITY	2,048,905	2,021,745
Non-current liabilities:		
Convertible bonds	783,385	779,947
Current liabilities:		
Other payables and accruals	35,933	118,106
TOTAL LIABILITIES	819,318	898,053
TOTAL EQUITY AND LIABILITIES	2,868,223	2,919,798

E Meng
Director

Ke Jian
Director

NOTES TO FINANCIAL STATEMENTS *(CONTINUED)*

31 December 2015

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Capital redemption reserve HK$'000	Equity component of convertible bonds HK$'000	Share option reserve HK$'000	Accu-mulated losses HK$'000	Total HK$'000
At 1 January 2014	192,892	9,721	31,971	27,653	(249,320)	12,917
Total comprehensive income for the year	–	–	–	–	16,017	16,017
Transition to no-par value regime	(192,892)	(9,721)	–	–	–	(202,613)
Conversion of convertible bonds	–	–	(32,815)	–	–	(32,815)
Issue of shares upon exercise of share options	–	–	–	(3,910)	–	(3,910)
Issue of convertible bonds	–	–	12,502	–	–	12,502
At 31 December 2014 and 1 January 2015	**–**	**–**	**11,658**	**23,743**	**(233,303)**	**(197,902)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**23,035**	**23,035**
Issue of shares upon exercise of share options	**–**	**–**	**–**	**(1,951)**	**–**	**(1,951)**
At 31 December 2015	**–**	**–**	**11,658**	**21,792**	**(210,268)**	**(176,818)**

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2016.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
CONTINUING OPERATIONS					
Revenue	**1,246,706**	108,516	–	–	–
Profit/(loss) before tax from continuing operations	**84,444**	8,934	(21,703)	(9,966)	(40,290)
Income tax	**(12,705)**	(1,401)	40	(30)	(70)
Profit/(loss) for the year from continuing operations	**71,739**	7,533	(21,663)	(9,996)	(40,360)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**12,246**	(2,386)	(7,449)	(16,654)	89,298
Profit/(loss) for the year	**83,985**	5,147	(29,112)	(26,650)	48,938
Attributable to:					
Members of the Company	**83,283**	7,519	(24,484)	(18,833)	54,846
Non-controlling interests	**702**	(2,372)	(4,628)	(7,817)	(5,908)
	83,985	5,147	(29,112)	(26,650)	48,938

	31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Total assets	**4,265,498**	3,192,897	1,431,876	965,528	1,041,467
Total liabilities	**(2,166,573)**	(1,132,005)	(502,814)	(250,347)	(303,328)
Net assets	**2,098,925**	2,060,892	929,062	715,181	738,139
Equity attributable to:					
Members of the Company	**2,074,268**	2,053,669	921,325	699,801	719,293
Non-controlling interests	**24,657**	7,223	7,737	15,380	18,846
	2,098,925	2,060,892	929,062	715,181	738,139