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

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

Annual Report 年報 2015

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Executive Directors

Mr. Wang Hao *(Chairman)(appointed on 29 September 2015)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Shen Jianping
Mr. Liu Yongzheng *(appointed on 29 September 2015)*

Independent Non-executive Directors

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

COMMITTEES

Audit Committee

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

Nomination Committee

Mr. Wang Hao *(Chairman)(appointed on 29 September 2015)*
Mr. Pao Ping Wing
Mr. Cheng Kai Tai, Allen
Dr. Chan Yee Wah, Eva

Remuneration Committee

Mr. Pao Ping Wing *(Chairman)*
Mr. Cheng Kai Tai, Allen
Mr. Wang Hao *(appointed on 29 September 2015)*

COMPANY SECRETARY

Ms. Wong Bing Ni

AUTHORIZED REPRESENTATIVES

Mr. Wang Hao *(appointed on 29 September 2015)*
Ms. Wong Bing Ni

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Conyers Dill and Pearman
Jun He Law Offices

PRINCIPAL BANKERS

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

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar in Cayman Islands

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

Branch Registrar in Hong Kong

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

CORPORATE WEBSITE

www.cehl.com.hk

STOCK CODE

03989

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

In 2015, global economy performed obvious differentiation. The U.S. experienced moderate economic recovery, whilst Europe and Japan did not achieve the desired progress in their structural reforms. Emerging economies faced a slowdown in economic growth. As an important engine of the global economy, PRC has been actively transforming its economic structures while continuing to maintain stable economic growth. With the accelerated and deepened comprehensive reform, the development of green economy and environmental protection industry has become the cornerstone for the PRC's future economic reforms and long-term development.

The year 2015 is the ending year of the "12th Five-Year Plan". In this year, relevant state departments issued a series of policies and guidelines on environmental management including Opinions on Practicing Third-party Pollution Treatment, Water Pollution Prevention Plan of Action, Environmental Protection Law of the People's Republic of China, Opinions on Accelerating the Construction of Ecological Civilization, Implementing Opinions on Promoting the Mode of Capital Cooperation between Government and Society on Water Pollution Control, General Plan on Institutional Reform of Ecological Civilization, and the Law on the Prevention and Control of Atmospheric Pollution. In particular, it placed an unprecedented emphasis on the environmental protection industry. We believe that the stepping up of policy support and capital investments in environmental governance by the government, coupled with the increasing demand for environmental protection and alternative energy across the country, will provide the Group with enormous market opportunities and development potentials.

During the period under review, projects of the Group continued to progress steadily. Benefiting from favorable national policies and growing market demand, the Group has made remarkable achievements in operating results, market expansion, internal management, fund raising and financing, and the extension of its business chain. Leveraging on its leading technology in environmental protection and alternative energy as well as highly effective management, the Group stood out from the keen competition by continuously tapping into new markets, hence laying a solid foundation for maintaining and reinforcing its leading position in the industry.

As at 26 November 2015, the Company declared the acquisition of 51% shares of BCG NZ Investment Holding Limited ("BCG NZ") with the consideration of US$230,000,000, subject to adjustment based on the evaluation on the value of BCG NZ, its subsidiaries and 50% controlled joint venture entities ("BCG NZ Group") at 31 December 2015 by the independent valuer. BCG NZ Group has more than 100 years of history in continuing operation, and is the largest waste management service supplier in New Zealand with over 30% market share, and has established a national wide network which vertically integrated the local waste system. BCG NZ Group provides the comprehensive waste management service in New Zealand including waste collection, recycling, disposition of hazardous and industrial waste, and served more than 200,000 customers. This acquisition will allow the Group to expand its geographical reach to New Zealand, which effectively broadened the revenue foundation of the Group and enhanced the market position, so as to promote the brand into overseas markets. In addition, by adopting a similar service chain and system of BCG NZ Group into the BCG NZ's domestic operations in the PRC and through the transfer of operational know-how and technical expertise, the Acquisition will help the Group to increase its shares in the domestic market and consolidate the leading position of the Group in the environmental industry.

With the increase of business sectors, the Group set up investment centers in Jiangxi and Henan provinces respectively during the year under review to strengthen the efficiency and the synergistic effect of the projects, and to promote intra-regional project investment. New investment modes have been explored, and the new framework was getting further optimized on the basis of strengthening the regional investment model.

In order to satisfy the capital requirements for the development, during the year under review, the Group actively expanded variety of financing channels to enhance its economic strength. In 2015, to get fully prepared for the project development, the Group financed itself in the capital market in the form of rights offering and signed financing agreements with several domestic commercial banks. As of 31 December 2015, the Group held approximately HK$1,200,000,000 in cash. With reasonable debt levels and sound financial status, the business of the Group moves steadily, and competitive strength was enhanced.

In 2015, the Group successfully secured 4 waste-to-energy projects (the change of industrial and commercial registration of 2 of them has not yet completed by the end of 2015) with a total investment of approximately RMB1,600 million. The additional designated annual waste treatment capacity of 1.62 million tons and the total daily treatment capacity are more than 20,000 tons, which further consolidated the Group's leading position in the industry. New projects are including Jiangxi Gaoan Solid Waste incineration Power Generation Project, Guizhou Duyun Solid Waste Incineration Power Generation Project, Hubei Qianjiang Solid Waste Incineration Power Generation Project and Jiangxi Ruijin Solid Waste Incineration Power Generation Project. Meanwhile, the Group also enhanced its co-operation with governments at all levels by entering into strategic co-operation agreements with provincial and municipal governments in Henan, Heilongjiang, Shanxi, Jiangsu, which fostered investments in numerous new projects in new regions.

The Group actively explored business opportunities in all areas of the environmental protection and alternative energy industry to keep up with the rapid development. As of 31 December 2015, the Group secured a total of 23 environmental protection and alternative energy projects (including 11 waste-to-energy projects, 3 waste landfill projects, 3 Anaerobic Digestion Technology treatment projects, 1 waste collection, storage and transportation project, 2 dismantling waste electronic appliances projects and 3 biomass resources electricity generation projects) with a total investment of approximately RMB7,200 million, and the investment amount amounted to RMB2,341 million as at 31 December 2015. The facilities are designed with an aggregate annual household waste processing capacity of approximately 6.62 million tons and annual electrical and electronic equipment dismantling volume of approximately 3.2 million units.

On 16 March 2015, the Group proposed to dispose of the 40% equity interest in BJ Yiqing Biomax ("Proposed Disposal"). The Proposed Disposal was made by way of public tender auction listing procedures conducted in strict compliance with relevant PRC laws and regulations in relation to transfer of state-owned assets and has obtained approvals from State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and other competent authorities. The reserve price for the 40% equity interest in BJ Yiqing Biomax was determined with reference to (among others) the valuation report on BJ Yiqing Biomax prepared by an independent and qualified PRC valuer.

The household waste incineration power plant project in Quanling, Nanchang ("Nanchang Project"), which is wholly-owned by the Group, successfully held the igniting ceremony on 16 January 2015 and officially entered into the "72+24" experimental stage, and entered into commercial trial operation stage after obtaining government approval on 4 May 2015, marking the commencement of commercial trial operations of the first household waste incineration power generation project in Jiangxi Province, the PRC on 4 May 2015. Currently, Nanchang Project operates stably, and is on the process of settlement and expects to be transferable into commercial operation by the first half of 2016.

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

Principally equipped with two mechanical reciprocating grate boilers with a daily capacity of 600 tons and two 12MW steam turbine generator sets, Nanchang Project adopts mature and leading domestic and international process technologies to realize hazard-free disposal of one-third of urban solid waste in Nanchang City and to dispose of solid waste of approximately 1,200 tons per day and approximately 400,000 tons per year.

The change of industrial and commercial registration of Huizhou project in Guangdong has been duly completed on 1 July 2014 and the site selection of the new waste treatment plant is in progress. Pursuant to the plan, the new waste treatment plant is expected to treat 1,600 tons of waste daily upon completion.

The kitchen waste treatment project located in Yangzhou, Jiangsu was tendered by the Group on 6 November 2013. The project has completed site construction and already put into trial operation at the end of 2015.

In 2014, the Group acquired the solid waste landfill project in Huludao, Liaoning province, which requires a total investment of RMB93.4 million and has the waste treatment capacity of 420 tons per day and the minimum guaranteed treatment capacity of 380 tons per day. The project is currently under construction and is expected to complete site construction and then commence trial operation by the first half of 2016.

The project of village wastes collection, storage and transportation in Linyi County is the first waste collection and transportation project of the Group. The unit price charged for collection and transportation service is RMB160 per ton, and the minimum guaranteed volume of waste is 260 tons per day. The project requires a total investment of RMB17.0 million and already put into trial operation in January 2015.

Shenzhen Pinghu project, Huaian project in Jiangsu Province, Ma An Shan project in Anhui Province and Duyun and Weng'an projects in Guizhou Province have officially commenced commercial operation.

During the year under review, environmental protection and alternative energy projects processed household waste of 9.6 billion tons and generated total on-grid electricity of 159,211,180 KWh, an increase of 78.1% and 46.7% respectively compared with 2014.

Looking ahead, with stronger supporting policies from the PRC government and the continued comprehensive support from the substantial shareholders, the Company is confident that the Company can realize the full potential of all the opportunities for future development. With rising growth momentum and strong competitive edge in the waste treatment industry, the management of the Group believes that once most of the existing projects commence operation, they will provide contribution to the Group. Thus, the management of the Group is confident of achieving sustained growth in the medium-to-long term.

The Group will further consolidate and improve its existing businesses and technologies, constantly seeking projects with growth potential and good opportunities for acquisitions and mergers, thereby making continuous contribution to the construction of beautiful China and global environmental protection. The Group is on target for getting three to four waste-to-energy projects per year in the future years. As at 31 December 2015, the Group is actively proposing and negotiating investments in four to five waste treatment projects by way of tender or acquisition.

The Group will consider several sources of funding to finance the future investments, including equity financing, debt financing, bank loans and/or shareholders' loans.

Riding on its valuable experiences, the Group will make thorough preparation for various projects at initial stage while commencing the construction of various new projects to boost revenue growth. With the completion and operation of projects acquired in previous years and the smooth progress of projects under construction, potential growth of the Group's profit can be expected.

FINANCIAL REVIEW

Overview

During the year under review, the Group's revenue from its waste treatment and waste-to-energy business reached HK$838.1 million, representing a decrease of 13.0% as compared to HK$963.6 million in 2014. Profit for the year was HK$32.0 million and the loss was HK$62.5 million in 2014. Profit attributable to owners of the Company was HK$23.5 million in 2015, whilst the loss attributable to owners was HK$68.3 million in 2014. The basic earnings per share was HK0.30 cents in 2015, whilst the basic loss per share was HK1.21 cents in 2014.

FINANCIAL POSITION

As at 31 December 2015, the Group had total assets amounting to approximately HK$4,191.8 million and net assets amounted to approximately HK$2,826.9 million, while net assets attributable to the owners of the Company were HK$0.27 per share, a sharp increase of 170% compared with the net assets per share of HK$0.10 at the end of 2014. As at 31 December 2015, the gearing ratio (which is calculated on the basis of total liabilities over total assets) was 33%, declined 44 percentage points from 77% at the end of 2014.

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

FINANCIAL RESOURCES

The Group finances its operations primarily with internally generated cash flow and loan facilities from shareholders and banks. As at 31 December 2015, the Group had cash and bank balances and pledged bank deposits of approximately HK$1,201.4 million, representing a significant increase of approximately HK$711.1 million as compared to approximately HK$490.3 million as at the end of 2014. Currently, most of the Group's cash is denominated in HK dollars and RMB.

BORROWINGS

As at 31 December 2015, the Group had outstanding borrowings of approximately HK$938.2 million, representing a decrease of approximately HK724.6 million as compared to approximately HK$1,662.8 million as at the end of 2014. All borrowings are secured loans and dominated in RMB. Most of the Group's borrowings are at variable rate.

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON ASSETS

As of 31 December 2015, the Group's guarantee for certain bank financing included certain proceeds from the Group's service concession arrangement and the prepaid lease payment of HK$68.1 million.

CAPITAL COMMITMENT ARRANGEMENT

As at 31 December 2015, the Group had capital commitment of approximately HK$78.2 million in respect of the construction work under service concession arrangements, which were contracted but not provided for in the consolidated financial statements.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group provided guarantees of approximately HK$30.3 million to two banks in respect of banking facilities granted to an associate.

EMPLOYMENT INFORMATION

As at 31 December 2015, the Group had about 1,030 employees in total, stationed mainly in the PRC and Hong Kong. The Group's emolument policies, which are reviewed periodically, are linked to the performance of individual employees and are based on the salary trends prevailing in the aforesaid regions.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to eligible participants based on their individual contributions to the Group.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wang Hao, aged 48, a senior economist, a professor and a mentor for doctoral students. Mr. Wang obtained his Master degree in Engineering at Fuxin Mining Institute, Liaoning, a Doctoral degree at School of Economics of Peking University and a Doctoral degree at School of Government of Peking University. He was appointed as an executive director and chairman of the Company in September 2015. Mr. Wang is the chairman of Beijing Capital Group Co. Ltd., the chairman of Beijing Capital Co., Ltd. and the president of Business Management Research Institute of Beijing Capital (首創企業管理研究院). Prior to joining Beijing Capital Group, Mr. Wang served as the executive secretary of the Party Committee, head of the enterprise development department, factory manager assistant and deputy factory manager of the 3rd Factory of Beijing Coal Corporation (北京市煤炭總公司), the deputy manager of Beijing Coal Corporation, the party member and deputy head of Beijing Municipality Overseas Finance and Investment Managing Center (北京市境外融投資管理中心), the party member, director and deputy general manager of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司), the standing member of the Party Committee, director and deputy general manager of Beijing Metro Group Co., Ltd., the deputy party secretary of the Party Committee, director and general manager of Beijing Infrastructure Investment Co., Ltd. (北京市基礎設施投資有限公司), and the member of the Party Committee and deputy head (director-general level) of Beijing State-owned Assets Supervision and Administration Commission. Mr. Wang has been a director of Beijing Capital Co., Ltd. (Stock Code: 600008.SH) since September 2013, a non-executive director of Beijing Capital Juda Limited (Stock Code: 1329) since December 2013 and Beijing Urban Construction Design & Development Group Co., Limited (Stock Code: 1599) since November 2014. He has been also a non-executive director of Beijing Capital Land Ltd. (Stock Code: 2868) since September 2013 and subsequently re-designated as an executive director and the chairman since August 2015.

Mr. Cao Guoxian, aged 52, is a postgraduate, he was appointed as an executive director and chief executive officer of the Company in July 2011. Mr. Cao served in the foreign language department of Henan Normal University and Bureau of International Cooperation under the Chinese Academy of Sciences. Mr. Cao worked as manager of oversea business department of Beijing Jingfang Economic Development Corporation, assistant to the chairmen of Beijing Capital Land Ltd. and deputy officer of the office of Beijing Capital Group Co., Ltd., and he is currently the deputy general manager of Beijing Capital Co., Ltd.. Since 25 June 2014, he has been appointed as a non-executive director of China Environmental Technology Holdings Limited which is a company listed on The Stock Exchange.

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

Mr. Shen Jianping, aged 59, is holder of a Master Degree, was the general manager officer of Beijing Capital Group Co., Ltd.. Currently, he is serving as a director of Beijing Capital Group Co., Ltd., a non-executive director of Beijing Capital Land Ltd. which is a company listed on The Stock Exchange and the vice chairman of China Digital Culture Group Co., Ltd.. Prior to his appointment with Beijing Capital Group Co., Ltd., he taught at Peking University, and successively served as lecturer, ex-officio, secretary, officer of the Political Department of Foreign Students School and political commissar of doctoral student force for PLA National Defense University, during the same period, he also served as the peacekeeping military observer of United Nations Advance Mission in Cambodia, and the deputy national defense military officer of Chinese Embassy in Iraq.

Mr. Liu Yongzheng, aged 47, obtained a bachelor degree in Economic Law from the School of Law of the Renmin University of China and a master degree from the School of Law of the Temple University of the United States. Mr. Liu is the director and general manager of Beijing Capital Co., Ltd. and deputy general manager of Beijing Capital Group Co., Ltd. He served as the deputy general manager and general manager of legal department and the General Counsel of Beijing Capital Group Co., Ltd. Prior to joining Beijing Capital Group, Mr. Liu served as a teacher at the Social Science Faculty of Beijing Institute of Meteorology and a lawyer at Zhong Lun Law Firm, Li Wen Law Firm and J&J Law Firm in Beijing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Pao Ping Wing, JP, aged 68, was appointed as an independent non-executive director of the Company in June 2006. He had been actively serving on government policy and executive bodies, including those relating to town planning, urban renewal, public housing and environment matters for 26 years. He has been appointed as a Justice of the Peace of Hong Kong since 1987. He was an ex-urban councilor. He obtained a Master of Science Degree in Human Settlements Planning and Development from the Asian Institute of Technology in Thailand in 1980. He was elected as one of the Ten Outstanding Young Persons of Hong Kong in 1982 and one of the Ten Outstanding Young Persons of the World in 1983. He is an independent non-executive director of Oriental Press Group Limited, Sing Lee Software (Group) Limited, DTXS Silk Road Investment Holdings Company Limited, Zhuzhou CSR Times Electric Co. Ltd., Soundwill Holdings Limited, Maoye International Holdings Limited, HL Technology Group Limited and JC Group Holdings Limited, all of which are listed on the Stock Exchange.

Mr. Cheng Kai Tai, Allen, aged 52, was appointed as an independent non-executive director of the Company in January 2010. He is a qualified accountant and a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He has practiced as a Certified Public Accountant in Hong Kong for over 20 years and has extensive professional experience in auditing, taxation, financial management, corporate recovery and restructuring. Mr. Cheng holds a Master Degree of accountancy from Jinan University in China and is a professional advisor to several international companies of investment management, textile, retailing, metal trading and manufacturing in China and Japan.

Dr. Chan Yee Wah, Eva, age 50, was appointed as an independent non-executive director of the Company in July 2012. She has more than 25 years of financial and management experience and has been senior executives of various listed companies in Hong Kong. Dr. Chan is a fellow member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Hong Kong Institute of Chartered Secretaries. Dr. Chan graduated from City University of Hong Kong with a Bachelor of Arts in Accounting. She then earned her MBA degree from the University of Nottingham. She also obtained a DBA degree from the Polytechnic University of Hong Kong. She is currently the Head of Investor Relations of C C Land Holdings Limited.

SENIOR MANAGEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Company has complied with all the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the year ended 31 December 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 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Model Code is also applicable to the senior management of the Company. After a specific enquiry conducted by the Company, all the Directors confirmed that they have fully complied with the required standards set out in the Model Code throughout the year under review.

BOARD OF DIRECTORS

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

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

The Board currently comprises four executive directors and three independent non-executive directors:

Executive directors
Mr. Wang Hao *(Chairman)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Shen Jianping
Mr. Liu Yongzheng

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

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

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

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

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

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

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

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

	Meeting attendance/held	
	Board meetings	**General meetings**
Executive Directors		
Mr. Yu Changjian *(resigned on 29 September 2015*)*	4/6	1/2
Mr. Wang Hao *(appointed on 29 September 2015**)*	0/2	0/0
Mr. Cao Guoxian	5/8	2/2
Mr. Liu Xiaoguang *(resigned on 29 September 2015*)*	5/6	2/2
Mr. Shen Jianping	5/8	1/2
Mr. Liu Yongzheng *(appointed on 29 September 2015**)*	0/2	0/0
Independent non-executive Directors		
Mr. Pao Ping Wing	8/8	2/2
Mr. Cheng Kai Tai, Allen	8/8	1/2
Dr. Chan Yee Wah, Eva	8/8	2/2

* Mr. Yu Changjian and Mr. Liu Xiaoguang resigned as executive Directors of the Company on 29 September 2015. Six Board meetings and two general meetings were held during the period of their appointment.

** Mr. Wang Hao and Mr. Liu Yongzheng were appointed as executive Directors of the Company on 29 September 2015. Two Board meetings and none general meeting were held during the period of their appointment.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

During the year ended 31 December 2015, all Directors had participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. The trainings attended by each Director are as follows:

	Type of training
Executive Directors	
Mr. Yu Changjian *(resigned on 29 September 2015)*	B
Mr. Wang Hao *(appointed on 29 September 2015)*	B
Mr. Cao Guoxian	B
Mr. Liu Xiaoguang *(resigned on 29 September 2015)*	B
Mr. Shen Jianping	B
Mr. Liu Yongzheng *(appointed on 29 September 2015)*	B
Independent non-executive Directors	
Mr. Pao Ping Wing	A,B
Mr. Cheng Kai Tai, Allen	A,B
Dr. Chan Yee Wah, Eva	A,B

Notes:

A: attending seminar/workshops/forums/training courses

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

CHAIRMAN AND CHIEF EXECUTIVE

The Chairman (on 29 September 2015, Mr. Yu Changjian resigned and Mr. Wang Hao was appointed), is responsible for the formulation of overall corporate direction and business development strategy of the Group. He is also responsible for ensuring that good corporate governance practices and procedures are established, implemented and enforced.

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

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

Nomination Committee

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

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

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

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

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

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

During the year under review, the nomination committee had held two meetings, for (i) the nomination of Mr. Liu Xiaoguang, Mr. Pao Ping Wing and Dr. Chan Yee Wah, Eva who were retiring at the annual general meeting held on 30 June 2015, as Directors and their re-election in the same annual general meeting; and (ii) the nomination of Mr. Gu Jinshan as deputy general manager of the Company.

The individual attendance record of each member of the Nomination Committee is as follows:

	Meeting attendance/held
Mr. Yu Changjian *(Chairman of Nomination Committee, resigned on 29 September 2015*)*	2/2
Mr. Wang Hao *(Chairman of Nomination Committee, appointed on 29 September 2015**)*	0/0
Mr. Pao Ping Wing	2/2
Mr. Cheng Kai Tai, Allen	2/2
Dr. Chan Yee Wah, Eva	2/2

* Mr. Yu Changjian resigned as a member and chairman of Nomination Committee on 29 September 2015. Two Nomination Committee meetings were held during the period of his appointment.

** Mr. Wang Hao was appointed as a member and chairman of Nomination Committee on 29 September 2015. None Nomination Committee meeting was held during the period of his appointment.

Remuneration Committee

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

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

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

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

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

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

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

During the year under review, the remuneration committee had held two meetings with all members of the committee being present in the meeting to consider and review remuneration packages for all Directors and all or individual senior management staff.

The individual attendance record of each member of the Remuneration Committee is as follows:

	Meeting attendance/held
Mr. Pao Ping Wing *(Chairman of Remuneration Committee)*	2/2
Mr. Yu Changjian *(resigned on 29 September 2015*)*	2/2
Mr. Cheng Kai Tai, Allen	2/2
Mr. Wang Hao *(appointed on 29 September 2015**)*	0/0

* Mr. Yu Changjian resigned as a member of Remuneration Committee on 29 September 2015. Two Remuneration Committee meetings were held during the period of his appointment.

** Mr. Wang Hao was appointed as a member of Remuneration Committee on 29 September 2015. None Remuneration Committee meeting was held during the period of his appointment.

As incentive to attract, retain and motivate employees or senior management to strive for future developments and expansion of the Group and to provide the Company with flexible means of rewarding and remunerating employees, the Company has adopted a share option scheme and the grantees of which include senior management and persons who hold key management positions in the Company, in addition, an annual appraisal had been conducted by the Company and employees are rewarded a performance bonus based on the results of such annual appraisal.

Audit Committee

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

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

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

— To review the financial information of the Group; and

— To oversee the Group's financial reporting system and internal controls procedures.

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

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

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

— To review the interim report and interim results announcement for the six months ended 30 June 2015;

— To review the annual report and annual results announcement for the year ended 31 December 2014;

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

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

— To discuss the effectiveness of the system of internal controls throughout the Group, including financial, operational and compliance controls, and risk management; and

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

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

AUDITOR'S REMUNERATION

For the year ended 31 December 2015, the auditors' remuneration paid or payable in respect of the audit services and non-audit services provided by the auditors to the Group were as follows:

	HK$'000
Audit service	3,100
Non-audit service	2,035
	5,135

COMPANY SECRETARY

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

During the year ended 31 December 2015, the Company Secretary had confirmed that she had taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting on requisition by shareholders

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

Procedures for putting forward proposals at Shareholders' meeting

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

Procedures for proposing an individual person for election as a director

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

Procedures for putting forward enquiries to the Board

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

INVESTOR RELATIONS

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

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

During the year ended 31 December 2015, there had been no significant change in the Company's constitutional documents.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that year and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the financial statements for the year ended 31 December 2015, the Directors have selected appropriate accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group.

INTERNAL CONTROLS

The Board acknowledges its responsibilities for the Group's internal control system and has reviewed its effectiveness to ensure that all internal control measures are in place to safeguard the Group's assets and to comply with relevant regulations and the Code.

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors present their report together with the audited consolidated financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The Group is principally engaged in provision of waste treatment technologies and services which specializes in technology development, design, system integration, project investment, consultancy, operation and maintenance of waste treatment facilities, especially waste-to-energy projects. Particulars of the Company's principal subsidiaries are set out in note 48 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated income statement on page 33 of this annual report.

BUSINESS REVIEW

A review of the business of the Group during the year, an analysis of the Group's performance during the year using financial key performance indicators, a discussion on the Group's future business development and description of possible risks and uncertainties that the Group may be facing are provided in Management Discussion and Analysis on pages 5 to 9 of the annual report respectively. The financial risk management objectives and policies of the Group can be found in note 6 to the consolidated financial statements.

RESERVES

The Company did not have distributable reserves as at 31 December 2015.

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 36 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 126 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

CONVERTIBLE BONDS AND CONVERTIBLE NOTES

A summary of the principal terms of convertible bonds and convertible notes are set out in notes 34 and 33 to the consolidated financial statements respectively.

RIGHTS ISSUE AND CONVERSION OF CONVERTIBLE BONDS

The Group actively explored merger and acquisition opportunities in all areas of the environmental protection and alternative energy industry, such as the solid waste incineration and kitchen recycling projects to keep up with the rapid development and continue to reinforce its leading position in the industry. On 21 April 2015, the Company proposed right issue on the basis of one rights share for every one share held on the record date ("Rights Issue"). The Rights Issue is a prudent approach to provide equity funding for the Group's continuous investment in ongoing projects and long-term growth. The net proceeds of the Rights Issue will also strengthen the Company's capital base and enhance the Group's financial resilience, while at the same time the Rights Issue will enable all shareholders of the Company to participate in the future development of the Company on equal terms. Therefore, the Board is of the view that the Rights Issue is in the interests of the Group and the shareholders as a whole.

The Company entered into an underwriting agreement with BCG Chinastar International Limited ("Underwriter"), a connected person of the Company. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to, on a fully underwritten basis, subscribe or procure subscribers to subscribe for all of the underwritten Shares not taken up by the qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares and shall procure to be paid to the Company the subscription price in respect thereof. The subscription price is HK$0.45 per share. A discount of approximately 25.0% to the closing price of HK$0.60 per Share as quoted on the Stock Exchange on 2 April 2015, being the last trading day before the date proposed right issue. The right issue was completed on 3 July 2015. The Company issued 4,731,504,664 shares, ordinary shares of HK$0.1 each, the total nominal value was approximately HK$473,150,466. As a result of the over-subscription of the Rights Shares, the Underwriters have not granted any shares. The net proceeds of the Rights Issue was approximately HK$2,110 million, the net price per Rights Share was approximately HK$0.446. Among which approximately HK$810 million was used as proposed for repayment of loans to shareholders and bank debt, approximately HK$220 million was used as proposed for investment in ongoing projects in waste treatment and waste-to-energy projects in the PRC, approximately HK$20 million was used as working capital, the remaining approximately HK$1,060 million has not been utilized as at the date of this report.

On 6 August 2015, the Company received a conversion notice issued by a Convertible Bonds holder, Beijing Capital (Hong Kong) Limited ("Beijing Capital (HK)"), requesting the conversion of the Convertible Bonds with a principle amount of RMB61,511,580 into 290,148,962 shares of the Company. On 10 August 2015, the Company issued 290,148,962 shares at a conversion price of RMB0.212 per share.

BANK BORROWINGS

Details of the Group's bank borrowings are set out in note 32 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 46 to the consolidated financial statements, at no time during the year was the Company, its holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors or any of their spouse or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS

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

Executive directors

Mr. Yu Changjian *(Chairman, resigned on 29 September 2015)*
Mr. Wang Hao *(Chairman, appointed on 29 September 2015)*
Mr. Cao Guoxian *(Chief Executive Officer)*
Mr. Liu Xiaoguang *(resigned on 29 September 2015)*
Mr. Shen Jianping
Mr. Liu Yongzheng *(appointed on 29 September 2015)*

Independent non-executive Directors

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

In accordance with articles 86 and 87 of the Articles of Association of the Company, Mr. Wang Hao, Mr. Cao Guoxian, Mr. Shen Jianping, Mr. Liu Yongzheng and Mr. Cheng Kai Tai, Allen will retire from office and, being eligible offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out on pages 10 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Among four existing executive Directors, Mr. Wang Hao and Mr. Liu Yongzheng have not entered into service contract or letter of appointment with the Company, while Mr. Cao Guoxian and Mr. Shen Jianping have entered into service contract or letter of appointment with the Company for a term of three years.

Each existing independent non-executive Director have entered into service contract or letter of appointment with the Company for a term of three years.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors had any interest in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As at 31 December 2015, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code.

The movements of the Directors' outstanding share options of the Company during the year are set out as follows:

	Number of share options						
	Balance as at 1 January 2015	**Adjusted during the year**	**Lapsed during the year**	**Balance as at 31 December 2015**	**Exercisable period**	**Exercise price**	**Approximate Percentage of issued share capital of the Company**
Employees In aggregate	2,703,288 (Note 1)	341,192	(3,044,480)	–	06/09/2010–05/09/2015	HK$0.395	–

Note:

1. These share options were granted on 6 September 2010 and have vested on 6 September 2010 and be exercisable from 6 September 2010 to 5 September 2015. These share options were lapsed on 6 September 2015.

None of the above share options were cancelled during the year.

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

As at 31 December 2015, the following shareholders had interests or short positions in the shares and underlying shares of the Company which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholders	Capacity	Number of shares/underlying shares held	Approximate percentage of shareholdings
Beijing Capital (Hong Kong) Limited	Beneficial owner (Note 1)	5,001,008,931 (L)	51.28 %
Beijing Capital Co., Ltd.	Interest of a controlled corporation (Note 1)	5,024,218,931 (L)	51.51%
Beijing Capital Group Co., Ltd.	Interest of a controlled corporation (Note 1)	5,024,218,931 (L)	51.51%

(L) denotes a long position

Note:

1. These Shares represent 5,001,008,931 shares held by Beijing Capital (HK) Limited, which was a wholly-owned subsidiary of Beijing Capital Co., Ltd, and 23,210,000 Shares held by BC Water Investments Co., Ltd., an indirect wholly-owned subsidiary of Beijing Capital Co., Ltd.. Beijing Capital (HK) Limited was a wholly-owned subsidiary of Beijing Capital Co., Ltd. Beijing Capital Co., Ltd. is in turn controlled by Beijing Capital Group Co., Ltd.. As such, Beijing Capital Group Co., Ltd. and Beijing Capital Co., Ltd. were deemed to have interest in the said Shares and underlying Shares held by Beijing Capital (Hong Kong) Limited and BC Water Investments Co., Ltd. for the purposes of the SFO.

Save as aforesaid, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2015 which are required to be notified to the Company pursuant to Part XV of the SFO or which are recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONNECTED TRANSACTIONS

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

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

On 12 November 2015, an indirectly wholly-owned subsidiary of the Company, J&B Environment Limited ("the Vendor") entered into the share sales and purchase agreement with Beijing Environment Sanitation Engineering Group Company Limited, a company incorporated in PRC, a shareholder of Beijing Yiqing Biomax Green Energy Park Co., Ltd. ("BJ Yiqing Biomax") an indirect non-wholly owned subsidiary of the Company, held 40% equity interest in BJ Yiqing Biomax, as a connected person (" the Purchaser") of the Company at the subsidiary level. pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 40% equity interest in BJ Yiqing Biomax, at a consideration of RMB37,478,920 (equivalent to approximately HK$45,724,282), shall be settled in cash within 3 days after the Disposal is approved by the Approving Authorities. Upon the Completion, the Company's equity interest in BJ Yiqing Biomax will decrease from 60% to 20% and BJ Yiqing Biomax will cease to be a subsidiary of the Company and more financial resources and management efforts could be reallocated to other potential investments which could derive more attractive returns to the Group.

The Group expects that there will be no material gain or loss arising from the Disposal, being the difference between (i) the consideration of the Disposal; and (ii) the unaudited net asset value attributable to the Sale Shares of approximately RMB37.48 million (equivalent to approximately HK$45.73 million) as at 30 June 2015 and any transaction related expenses. The Directors expected that the Group will record a disposal loss of approximately RMB0.90 million (approximately HK$1.10 million) relating to the Disposal.

The Board considers that the performance of BJ Yiqing Biomax is yet to meet the Group's expectation. While it is uncertain that the business of BJ Yiqing Biomax will deliver value to the Shareholders in the absence of a timely transition, the Beijing Plant has showcased the knowhow and technologies invested by the Group over the past years and the Group would like to retain 20% of interest in BJ Yiqing Biomax in order to capitalize on any potential return of BJ Yiqing Biomax in the future. Meanwhile, the Board considers that the Disposal will allow the Group to realize the Sale Shares and allocate proceeds from the Disposal to other investment opportunities and improve the financial position of the Group. The Disposal is not yet completed during the date of the reporting period.

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

The consideration payable by the Company to the Vendors pursuant to the acquisition agreement is US$230 million (equivalent to approximately RMB1,461 million or HK$1,783million), subject to adjustment (if any) based on the valuation on the Target Group as at 31 December 2015 to be conducted by the Independent Valuer, and shall be satisfied by the allotment and issue of approximately 4,456,940,000 consideration shares (subject to adjustment based on the adjustment to the Consideration) at an issue price of HK$0.40 per consideration share by the Company to the Vendors, credited as fully paid. The consideration shares, before adjustment, represent approximately 31.36% of the issued share capital of the Company as enlarged by the issue of the consideration shares.

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

In addition, one of the Vendors, Beijing Capital (HK), is the controlling shareholder of the Company. The other Vendor, BCG, is a wholly-owned subsidiary of Beijing Capital Group, which directly and indirectly holds an aggregate of 54.62% of Beijing Capital as at 26 November 2015, the sole shareholder of Beijing Capital (HK). Accordingly, the Vendors are connected persons of the Company under the Listing Rules and the Acquisition also constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

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

The Disposal is not yet completed during the date of the reporting period.

PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for 87% of the Group's sales for the year and sales to the Group's largest customer included therein accounted for 30%.

Purchase from the Group's five largest suppliers accounted for 13.1% of the Group's total purchases for the year and purchase from the Group's largest customer included therein accounted for 3.3%.

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 14 to 23 of this annual report.

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by Deloitte Touche Tohmatsu who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wang Hao
Chairman

Hong Kong, 14 March 2016

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of Capital Environment Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 125, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
14 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
Revenue	7	**838,138**	963,608
Cost of sales		**(674,129)**	(841,063)
Gross profit		**164,009**	122,545
Other income, gains and losses	9	**66,573**	(104,263)
Gain on fair value change of embedded derivatives	34	**–**	86,762
Gain on fair value change of warrants	35	**79**	3,861
Administrative expenses		**(119,048)**	(103,164)
Share of results of an associate	23	**8,754**	4,102
Finance costs	10	**(88,929)**	(67,292)
Profit (loss) before tax	11	**31,438**	(57,449)
Income tax credit (expense)	12	**536**	(5,080)
Profit (loss) for the year		**31,974**	(62,529)
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation:			
Exchange difference arising during the year		**(104,318)**	(21,012)
Exchange difference arising from associates during the year		**(4,511)**	(6,112)
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale financial assets		**5,922**	–
Other comprehensive expense for the year (net of tax)		**(102,907)**	(27,124)
Total comprehensive expense for the year		**(70,933)**	(89,653)
Profit (loss) for the year attributable to:			
Owners of the Company		**23,518**	(68,266)
Non-controlling interests		**8,456**	5,737
		31,974	(62,529)
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(75,613)**	(90,852)
Non-controlling interests		**4,680**	1,199
		(70,933)	(89,653)
			(Restated)
Earning (loss) per share	16		
Basic		**HK0.30 cents**	HK(1.21) cents
Diluted		**HK0.30 cents**	HK(2.33) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment	17	**121,472**	118,084
Intangible assets	18	**411,151**	360,210
Goodwill	19	**21,035**	13,810
Prepaid lease payments	20	**87,637**	69,121
Amounts due from grantors for contract work	21	**1,155,168**	1,330,171
Available-for-sale investments	22	**103,207**	–
Interests in associates	23	**114,372**	108,090
Deposits paid for construction of infrastructure in service concession arrangements	24	**63,043**	101,658
Deposits, prepayments and other receivables	26	**65,244**	4,375
Deferred tax assets	36	**11,475**	–
		2,153,804	2,105,519
Current assets			
Inventories	25	**31,137**	26,294
Trade receivables	26(a)	**317,560**	217,656
Deposits, prepayments and other receivables	26	**82,262**	55,269
Amounts due from grantors for contract work	21	**52,742**	72,695
Prepaid lease payments	20	**1,997**	1,238
Amount due from an associate	28	**42,919**	23,141
Pledged bank deposits	29	**–**	22,077
Bank balances and cash	29	**1,201,352**	468,231
		1,729,969	886,601
Assets classified as held for sale	30	**308,037**	–
		2,038,006	886,601
Current liabilities			
Trade payables	31(a)	**25,934**	132,297
Other payables and accruals	31(b)	**145,176**	322,834
Provisions	31(c)	**955**	9,038
Deferred income	31(d)	**1,671**	945
Taxation payable		**52,741**	54,641
Borrowings	32	**458,723**	1,025,913
Convertible bonds	34	**–**	63,674
Warrants	35	**–**	79
		685,200	1,609,421
Liabilities associated with assets classified as held for sale	30	**132,964**	–
		818,164	1,609,421
Net current assets (liabilities)		**1,219,842**	(722,820)
Total assets less current liabilities		**3,373,646**	1,382,699

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AT 31 DECEMBER 2015

	NOTES	2015 *HK$'000*	2014 *HK$'000*
Non-current liabilities			
Deferred income	31(d)	**45,585**	42,805
Borrowings	32	**479,452**	636,919
Deferred tax liabilities	36	**21,664**	10,435
		546,701	690,159
		2,826,945	692,540
Capital and reserves			
Share capital	37	**975,315**	473,150
Reserves		**1,623,691**	15,739
Equity attributable to owners of the Company		**2,599,006**	488,889
Non-controlling interests	38	**227,939**	203,651
		2,826,945	692,540

The consolidated financial statements on pages 33 to 125 were approved and authorised for issue by the board of directors on 14 March 2016 and are signed on its behalf by:

WANG HAO DIRECTOR	CAO GUOXIAN DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company										
	Share capital	Share premium	Translation reserve	Share option reserve	Investment revaluation reserve	Convertible bonds equity reserve	Convertible notes equity reserve	Accumulated (losses) profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* (Note 34)	*HK$'000* (Note 33)	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	465,564	1,966,372	84,595	98	–	–	141	(2,035,022)	481,748	197,756	679,504
(Loss) profit for the year	–	–	–	–	–	–	–	(68,266)	(68,266)	5,737	(62,529)
Exchange differences on translation	–	–	(16,474)	–	–	–	–	–	(16,474)	(4,538)	(21,012)
Exchange differences arising from an associate on translation	–	–	(6,112)	–	–	–	–	–	(6,112)	–	(6,112)
Total comprehensive (expense) income for the year	–	–	(22,586)	–	–	–	–	(68,266)	(90,852)	1,199	(89,653)
Capital contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	–	2,404	2,404
Acquisition of subsidiaries (Note 39(b))	–	–	–	–	–	–	–	–	–	2,292	2,292
Conversion of convertible bonds (Note 34)	7,586	38,567	–	–	–	–	–	–	46,153	–	46,153
Issuance of convertible bonds (Note 34)	–	–	–	–	–	51,981	–	–	51,981	–	51,981
Redemption on convertible notes (Note 33)	–	–	–	–	–	–	(141)	–	(141)	–	(141)
At 31 December 2014	473,150	2,004,939	62,009	98	–	51,981	–	(2,103,288)	488,889	203,651	692,540
Profit for the year	–	–	–	–	–	–	–	23,518	23,518	8,456	31,974
Exchange differences on translation	–	–	(100,542)	–	–	–	–	–	(100,542)	(3,776)	(104,318)
Exchange differences arising from associates on translation	–	–	(4,511)	–	–	–	–	–	(4,511)	–	(4,511)
Fair value change of available-for-sale investments	–	–	–	–	5,922	–	–	–	5,922	–	5,922
Total comprehensive (expense) income for the year	–	–	(105,053)	–	5,922	–	–	23,518	(75,613)	4,680	(70,933)
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	13,755	13,755
Rights issue (Note 37)	473,150	1,656,027	–	–	–	–	–	–	2,129,177	–	2,129,177
Share issuance expenses	–	(15,479)	–	–	–	–	–	–	(15,479)	–	(15,479)
Acquisition of a subsidiary (Note 39(a))	–	–	–	–	–	–	–	–	–	5,853	5,853
Conversion of convertible bonds (Note 34)	29,015	94,998	–	–	–	(51,981)	–	–	72,032	–	72,032
Lapse of share option (Note 46)	–	–	–	(98)	–	–	–	98	–	–	–
At 31 December 2015	975,315	3,740,485	(43,044)	–	5,922	–	–	(2,079,672)	2,599,006	227,939	2,826,945

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
OPERATING ACTIVITIES			
Profit (loss) for the year		**31,974**	(62,529)
Adjustments for:			
Income tax (credit) expense		**(536)**	5,080
Depreciation of property, plant and equipment		**16,504**	12,946
Amortisation of prepaid lease payments		**1,736**	1,567
Finance costs		**88,929**	67,292
Interest income		**(106,479)**	(55,647)
Impairment loss recognised in respect of deposits, prepayments and other receivables		**18,273**	6,023
Impairment loss recognised in respect of deposits paid for construction of infrastructure in service concession arrangements		**–**	104,918
Reversal of impairment loss recognised in respect of amount due from an investee		**(27,364)**	–
Reversal of impairment loss recognised in respect of other receivables		**(30,560)**	–
Share of results of an associate		**(8,754)**	(4,102)
Gain on fair value change of warrants	35	**(79)**	(3,861)
Loss on disposal of available-for-sale investments		**927**	–
Change in fair value of embedded derivative of convertible bonds	34	**–**	(86,762)
Loss on disposal of property, plant and equipment		**1,281**	474
Amortisation of intangible assets		**24,972**	17,972
Operating cash flows before movements in working capital		**10,824**	3,371
Increase in inventories		**(5,986)**	(2,127)
Increase in trade receivables		**(109,340)**	(29,891)
(Increase) decrease in deposits, prepayments and other receivables		**(59,263)**	37,693
(Increase) decrease in amounts due from grantors for contract work		**(75,747)**	94,464
(Decrease) increase in trade payables		**(99,396)**	14,030
Decrease in other payables and accruals		**(147,973)**	(52,468)
Increase in deferred income		**3,506**	43,750
Cash (used in) from operations		**(483,375)**	108,822
Tax paid for other jurisdictions		**–**	–
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		**(483,375)**	108,822

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Deposits paid to contractors for construction of infrastructure in service concession arrangements		**(61,099)**	(575,251)
Purchase of property, plant and equipment		**(26,975)**	(56,097)
Proceeds on disposal of property, plant and equipment		**718**	1,884
Purchase of prepaid lease payments		**–**	(9,687)
Repayment from amount due from an investee		**27,364**	–
Interest received		**24,055**	1,973
Acquisition of subsidiaries	39	**(5,932)**	(63,570)
Withdrawal of pledged bank deposits		**22,077**	35,615
Proceeds from sale of available-for-sale investments		**3,344**	–
Purchase of available-for-sale investments		**(101,556)**	–
NET CASH USED IN INVESTING ACTIVITIES		**(118,004)**	(665,133)
FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		**2,129,177**	–
Repayment of borrowings		**(1,205,085)**	(415,750)
Interest paid		**(88,235)**	(29,360)
Bank and other charges paid		**(11,918)**	–
Share issuance expenses		**(15,479)**	–
Proceed from issue of warrant		**–**	3,940
New borrowings raised		**558,988**	918,181
Redemption of convertible notes	33	**–**	(16,000)
Capital contribution from non-controlling interest of subsidiaries		**1,225**	2,404
NET CASH FROM FINANCING ACTIVITIES		**1,368,673**	463,415
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**767,294**	(92,896)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(27,883)**	(14,805)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**468,231**	575,932
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**1,207,642**	468,231
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**1,201,352**	468,231
Cash and cash equivalent classified as assets held for sale (Note 30)		**6,290**	–
		1,207,642	468,231

1. GENERAL

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

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

The functional currency of the Company is Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operates. As the Company is a listed entity on the Stock Exchange, the consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the readers.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in current year:

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

New and revised HKFRSs issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

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

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

The directors of the Company do not anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 Presentation of Financial Statements give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016.

The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the amounts recognised in the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 Property, Plant and Equipment prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 Intangible Assets introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments to HKFRS 10 *Consolidated Financial Statements*, HKFRS 12 *Disclosure of Interests in Other Entities and HKAS 28 Investments in Associates* and Joint Ventures clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary, whose main purpose is to provide services and activities that are related to the investment activities of the investment entity parent, applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any subsidiary, associate or joint venture that qualifies as an investment entity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(Continued)*

Annual Improvements to HKFRSs 2012 – 2014 Cycle

The *Annual Improvements* to *HKFRSs 2012 – 2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

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

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

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

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.

Changes in the Group's ownership interests in existing subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates *(Continued)*

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

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

Assets held for sale

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

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

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with HKAS 39 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates above).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

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

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

Service income including that from operating service provided under service concession arrangements is recognised when services are provided.

Consultancy fee income is recognised by the stage of completion for the services provided at end of the reporting period.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

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

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

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual value over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	Shorter of useful life of 25 years or the lease terms
Leasehold improvement	Shorter of useful life of 5 years or the lease terms
Plant and machinery	9% to 20%
Furniture, fixtures and equipment	10% to 32.33%
Motor vehicles	10% to 24%

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

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

Leasing

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

The Group as lessee

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building

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

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

Borrowing costs

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

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

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

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

Financial instruments

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

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

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Loans and receivables

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

Available-for-sale financial assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability and conversion option components exercisable at the discretion of the holder and early redemption options. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. Conversion option derivative and early redemption options are treated as embedded derivatives and are remeasured to fair value at the end of reporting period, with the resulting fair value gains or losses recognised in profit or loss. At the date of issue, both the liability and embedded derivatives components are recognised at fair value using discounted cash flow and Binomial Option Pricing Model, respectively.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and embedded derivatives in proportion to their relative fair values. Transaction costs relating to the embedded derivatives are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes containing both a liability and an equity component

Convertible notes issued that contain both the liability and conversion option component are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes equity reserve until the embedded option is exercised (in which case the balance stated in convertible notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes equity reserve will be released to the retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Convertible notes containing both a liability component and a conversion option derivative

Convertible notes issued by the Group that contain both a liability and a conversion option component are classified separately into respective items on initial recognition. A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Other financial liabilities

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Financial guarantee contracts

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

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

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

Inventories

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

Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

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

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

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

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Retirement benefit costs

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

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

Revenue recognition on construction service under service concession arrangements

The Group uses the stage of completion method to account for its revenue and costs relating to the construction service under service concession arrangements where the outcome of a construction contract can be estimated reliably. The stage of completion is measured in accordance with the accounting policy stated in Note 3.

Significant judgment is required in determining the stage of completion, the extent of the construction costs incurred, the estimated total construction revenue and the recoverability of the construction costs. In making the judgment, the Group evaluates by relying on past experience and the work of the project management team. Revenue from construction service under service concession arrangements is disclosed in Note 7. The stage of completion of each construction service under service concession arrangement is assessed on a cumulative basis in each accounting period. Changes in estimate of construction revenue or construction costs, or changes in the estimated outcome of a service concession agreement could impact the amounts of construction revenue and construction costs recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which the change is made and in subsequent periods. Such impact could potentially be significant.

Estimated impairment of amounts due from grantors for contract work

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of amounts due from grantors for contract work is approximately HK$1,207,910,000 (2014: approximately HK$1,402,866,000). During the years ended 31 December 2015 and 2014, there is no impairment recognised in profit or loss for amounts due from grantors for contract work.

Estimated impairment of deposits paid for construction of infrastructure in service concession arrangements

As at 31 December 2015, the Group had deposits paid of aggregate carrying amount of approximately HK$47,792,000 (RMB40,050,000) (2014: approximately HK$50,063,000 (RMB40,050,000)), net of impairment loss, that represent advance payments to a third party supplier, 城市建設研究院 (Urban Construction Design & Research Institute*) (the "Urban Construction Institute") for construction of infrastructure in service concession arrangements, which is under arbitration proceedings.

* *for identification purposes only*

4. KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of deposits paid for construction of infrastructure in service concession arrangements *(Continued)*

During the year ended 31 December 2015, the Group has filed a litigation to 江西省南昌市中級人民法院 (Intermediate Court of Nanchang, Jiangxi Province*) (the "Intermediate Court") to invalidate a verdict (the "Verdict") issued by 南昌仲裁委員會 (Nanchang Arbitration Committee*) during the year ended 31 December 2014. The Verdict determined that most of the deposits paid to Urban Construction Institute for the construction of waste treatment and waste-to-energy plant have been utilised by Urban Construction Institute and approximately HK$47,792,000 (2014: approximately HK$50,063,000) of deposit can be refunded to the Group by means of transferring the construction contracts signed between Urban Construction Institute with two independent sub-contractors.

On 2 December 2015, the Intermediate Court has released a ruling (the "Ruling") in favour of the Group and the Group has further lodged an appeal to the Nanchang Arbitration Committee and requesting a cash refund for all the deposits paid to Urban Construction Institute and relevant interest loss. The appeal has been accepted by the Nanchang Arbitration Committee and the Urban Construction Institute appealed to 江西省高級人民法院 (High Court of Jiangxi Province*) (the "High Court") on 23 December 2015 requesting the Group to repay approximately HK$107,876,000 (approximately RMB90,400,000) compensation for the expenses it had incurred. The appeal made by the Group to the Nanchang Arbitration Committee has been subsequently released unconditionally on 15 January 2016 upon the appeal made by the Urban Construction Institute to the High Court. The final resolution from the High Court is not yet released up to date of this report. Details have been disclosed in Note 24.

No impairment loss is recognised for the year ended 31 December 2015 and an impairment loss of approximately HK$104,918,000 (approximately RMB 83,620,000) was recognised in the profit or loss during the year ended 31 December 2014. For the basis of impairment loss, please refer to Note 24.

The arbitration is subject to inherent uncertainties, the final outcome of the arbitration cannot be precisely determined with reasonable certainty. Should the final arbitration result is different from the management's estimate, a significant impact on the Group's financial positions may be resulted.

As at 31 December 2015, the carrying amount of deposits paid for construction of infrastructure in service concession arrangements, other than Urban Construction Institute, is approximately HK$15,251,000 (2014: approximately HK$51,595,000).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of goodwill is approximately HK$21,035,000 (2014: approximately HK$13,810,000). During the years ended 31 December 2015 and 2014, there is no impairment recognised in profit of loss for goodwill.

* *for identification purposes only*

4. KEY SOURCE OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment of property, plant and equipment and intangible assets

If there is any indication of impairment, determining the extent to which property, plant and equipment and intangible assets are impaired requires an estimation of the value in use of the CGUs to which they have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. As at 31 December 2015, the carrying amount of property, plant and equipment and intangible assets are approximately HK$121,472,000 and approximately HK$411,151,000 (2014: approximately HK$118,084,000 and approximately HK$360,210,000), respectively.

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

Included in the trade receivables of approximately HK$301,456,000 (2014: approximately HK$208,038,000) are government subsidies due from a PRC government for treatment of certain waste electric and electronic products which are arising from subsidiaries engaging in recycling and dismantling waste electrical and electronic equipment. Trade receivables of approximately HK$135,649,000 (2014: approximately HK$84,468,000) have been past due over 180 days, but less than 360 days, and approximately HK$17,020,000 (2014: approximately HK$844,000) have been past due over 360 days, respectively as at 31 December 2015.

As at 31 December 2015, included in the deposits, prepayments and other receivables of approximately HK$38,992,000 (2014: approximately HK$40,640,000) are advances made to suppliers and approximately HK$37,408,000 (2014: nil) are receivable from a related party of a former shareholder of an acquired subsidiary. Impairment loss of approximately HK$18,273,000 (2014: approximately HK$6,023,000) was recognised during 2015 in relation to advances made to suppliers that has been overdue for more than 360 days.

A substantial negative impact on the Group's performance would result if the amount is not recoverable. The Group considers that the credit risk on the trade receivables is limited because the customer is state-owned government and the advances made to suppliers and the other receivables are made with parties of good credit history.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes borrowings, convertible notes, convertible bonds and warrants disclosed in Notes 32, 33, 34 and 35, respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2015 HK$'000	2014 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,837,970**	2,141,703
Available-for-sale investments	**103,207**	–
Financial liabilities		
Amortised cost	**1,029,086**	2,028,126

6b. Financial risk management objectives and policies

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

Market risk

Currency risk

Several subsidiaries of the Company have certain bank balances and cash, borrowings, convertible bonds and warrants of the Group are denominated in HK$ and USD which exposes the Group to foreign currency risk. During the year ended 31 December 2015 and 2014, no sales and costs of sales of the Group are denominated in currencies other than the group entity's functional currencies.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure by closely monitoring the movement of foreign currency rate.

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

	2015 HK$'000	2014 HK$'000
Assets		
HK$	**322,639**	155,005
USD	**20,146**	39,032
EUR	**150**	100
Liabilities		
HK$	**5,087**	830,280
USD	**–**	62,000

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Currency risk (Continued)

Sensitivity analysis

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

The following details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in HK$ against RMB. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates. When HK$ strengthens 5% (2014: 5%) against RMB, the profit of the Group would increase by approximately HK$11,908,000 (2014: the loss of the Group would increase by approximately HK$33,764,000). For a 5% (2014: 5%) weakening of HK$ against RMB, there would be an equal and opposite impact on the profit (2014: loss) of the Group.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to amount due from an associate, fixed-rate borrowings and convertible bonds (see Notes 28, 32 and 34 for details). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate borrowings (see Notes 29 and 32). It is the Group's policy to keep its borrowing at floating rate of interests so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of bank interest rate arising from the bank balances and PRC benchmark loan rate ("PRC Benchmark Loan Rate") arising from the Group's RMB denominated borrowings.

At 31 December 2015, the Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

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

At 31 December 2015, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would increase/decrease by HK$1,477,000 (2014: loss for the year would increase/decrease by HK$3,896,000).

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

Other price risk

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 10% higher/lower, the investment revaluation reserve would increase/decrease by approximately HK$10,321,000 for the Group as a result of the changes in fair value of available-for-sale investments.

The Group was not exposed to other price risk as at 31 December 2014 as the Group did not have investment in listed equity security as at 31 December 2014.

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and

- the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 44.

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

The Group's concentration of credit risk by geographical locations is mainly in China, which accounted for 100% (2014: 100%) of the total trade receivables as at 31 December 2015.

The Group has concentration of credit risk in amounts due from grantors for contract work of approximately HK$1,207,910,000 (2014: approximately HK$1,402,866,000) as at 31 December 2015 representing guaranteed waste treatment fee to be received from eight (2014: seven) grantors in service concession arrangements of waste treatment and waste-to-energy plants. The Group considers the risk is satisfactory as the grantors are government authorities in the PRC with a high reputation.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group also has concentration of credit risk in deposits paid for construction of infrastructure in service concession arrangements as 76% (2014: 49%) of total deposits was paid to the Group's largest supplier which is subject to arbitration proceedings at the end of the reporting period as detailed in Note 24. The estimated recoverable amount of the deposits of approximately HK$47,792,000 (2014: approximately HK$50,063,000) to the largest supplier, net of impairment loss of approximately HK$106,921,000 (RMB89,600,000) (2014: approximately HK$112,000,000 (RMB89,600,000)), is based on the best estimate of the management of the allowable expenses incurred by the largest supplier with reference to the legal opinion provided by the independent lawyer. The Group considers that the credit risk on the deposit paid after impairment provided is limited (See Note 24). The directors, the associates and the shareholders have no interest in the largest supplier mentioned above.

As at 31 December 2015, included in the deposits, prepayments and other receivables of approximately HK$38,992,000 (2014: approximately HK$40,640,000) are advances made to suppliers and approximately HK$37,408,000 (2014: nil) are loan receivable from a related party of a former shareholder of an acquired subsidiary. Impairment loss of approximately HK$18,273,000 (2014: approximately HK$6,023,000) was recognised during 2015 in relation to advances made to suppliers that has been overdue for more than 360 days.

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

The credit risk of amount due from an associate is limited because it is operating a profit generating waste-to-energy plant with guaranteed income from government authority in PRC.

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

Liquidity risk

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

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

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables

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

	Weighted average interest rate	Repayable on demand *HK$'000*	3 months to 1 year *HK$'000*	1 to 2 years *HK$'000*	2 to 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
2015								
Trade and other payables	–	90,911	–	–	–	–	90,911	90,911
Financial guarantee contracts	–	30,279	–	–	–	–	30,279	–
Borrowings								
– Fixed rate	3.95%	–	373,769	–	–	–	373,769	367,542
– Variable rate	6.37%	–	126,715	75,634	368,229	109,886	680,464	570,633
		121,190	500,484	75,634	368,229	109,886	1,175,423	1,029,086
2014								
Trade and other payables	–	301,541	–	–	–	–	301,541	301,541
Warrant	–	–	79	–	–	–	79	79
Convertible bonds including embedded derivatives (Note)	22.54%	–	76,889	–	–	–	76,889	63,674
Financial guarantee contract	–	11,891	–	–	–	–	11,891	–
Borrowings								
– Fixed rate	5.68%	200,299	419,750	–	–	–	620,049	584,500
– Variable rate	5.25%	2,500	470,527	115,787	416,198	260,086	1,265,098	1,078,332
		516,231	967,245	115,787	416,198	260,086	2,275,547	2,028,126

Note: The undiscounted cash flow above represents redemption amount at maturity date repayable to the holders of the convertible bonds and convertible notes based on the contractual terms on the assumption that there is no conversion prior to maturity date.

6. FINANCIAL INSTRUMENTS *(Continued)*

6b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

Liquidity and interest risk tables (Continued)

The amount included above for financial guarantee contracts as disclosed in Note 44 is the maximum amount the Group would be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

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

6c. Fair value measurements of financial instruments

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

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

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

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2015	2014		
Listed available-for-sale investments	**HK$103,207,000**	N/A	Level 1	Quoted bid prices in an active market

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

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

7. REVENUE

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

	2015 HK$'000	2014 HK$'000
Provision of construction service under service concession arrangements	**250,957**	505,360
Provision of operation service under service concession arrangements	**54,526**	60,244
Effective interest income on amounts due from grantors for contract work	**85,734**	52,410
Provision of dismantling services	**409,847**	322,360
Electricity tariff	**17,366**	–
Consultancy fee income	**19,708**	23,234
	838,138	963,608

8. SEGMENT INFORMATION

The Group has been operating with one reportable and operating segment, being the waste treatment and waste-to-energy business. Since there is only one reportable and operating segment, no segment information except for entity-wide disclosure is provided.

The revenue of services is set out in Note 7.

Geographical information

The Group's operations are principally located in the PRC (country of domicile) excluding Hong Kong.

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

	Revenue from external customers		Non-current assets	
	2015 HK$'000	2014 HK$'000	2015 HK$'000	2014 HK$'000
The PRC (country of domicile)	**838,138**	963,608	**895,329**	775,222
Hong Kong	**–**	–	**103,307**	126
	838,138	963,608	**998,636**	775,348

Note: Non-current assets excluded financial instruments.

Information about major customers

During the year ended 31 December 2015, revenue from government authorities contributing over 97% (2014: 97%) of the total revenue of the Group amounted to approximately HK$818,430,000 (2014: approximately HK$940,374,000) is attributable to the reportable segment of waste treatment and waste-to-energy business.

9. OTHER INCOME, GAINS AND LOSSES

	2015 HK$'000	2014 HK$'000
Bank interest income	18,614	1,973
Interest income on amount due from an associate	2,131	1,264
Total interest income	20,745	3,237
Loss on disposal of property, plant and equipment	(1,281)	(474)
Reversal of impairment loss recognised in respect of amount due from an investee (Note 27)	27,364	–
Reversal of impairment loss recognised in respect of other receivables (Note)	30,560	–
Impairment loss on deposits paid for construction of infrastructure in service concession arrangements (Note 24)	–	(104,918)
Impairment loss recognised in respect of deposits, prepayments and other receivables (Note 26(b))	(18,273)	(6,023)
Loss on disposal of available-for-sale investments	(927)	–
Others	8,385	3,915
	66,573	(104,263)

Note: Included in the reversal of impairment loss recognised in respect of other receivables, amounting to approximately HK$24,620,000 were the amount recovered from a supplier, 常州聯合鍋爐容器有限公司 (Changzhou Lianhe Boiler Company Limited*) ("Changzhou Lianhe") which has been fully impaired in prior years. During the year, 江蘇省常州市中級人民法院 (Changzhou City People's Court of Jiangsu Province*) has judged that Changzhou Lianhe should repay the amount to the Group and 24% equity interest of Changzhou Lianhe was transferred to the Group for settlement during the year ended 31 December 2015. Therefore, a reversal of impairment loss in respect of other receivables of approximately HK$24,620,000, representing the fair value of the 24% equity interest of Changzhou Lianhe is recognised in 2015.

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interests on:		
Borrowings wholly repayable within five years	68,653	47,393
Convertible bonds	8,358	14,288
Convertible notes	–	1,682
Bank and other charges	11,918	3,929
	88,929	67,292

* *for identification purposes only*

11. PROFIT (LOSS) BEFORE TAX

	2015 HK$'000	2014 HK$'000
Profit (loss) before tax has been arrived at after charging:		
Directors' and chief executive's emoluments (Note 13)	**4,410**	6,265
Staff costs (excluding directors)		
– other staff costs	**32,312**	28,898
– retirement benefit scheme contribution	**9,780**	5,845
	42,092	34,743
Auditors' remuneration	**3,993**	3,852
Contract cost recognised for construction of waste treatment business (included in cost of sales)	**263,843**	505,360
Depreciation of property, plant and equipment	**16,504**	12,946
Amortisation of prepaid lease payments	**1,736**	1,567
Amortisation of intangible assets (Note)	**24,972**	17,972
Net exchange loss	**1,478**	102
Loss on disposal of property, plant and equipment	**1,281**	474

Note: During the year ended 31 December 2015, approximately HK$24,697,000 and approximately HK$275,000 (2014: approximately HK$17,099,000 and approximately HK$873,000) of amortisation of intangible assets were included in cost of sales and administrative expenses, respectively.

12. INCOME TAX (CREDIT) EXPENSE

	2015 HK$'000	2014 HK$'000
Current income tax:		
Other jurisdictions	**318**	8,010
Deferred tax (Note 36)	**(854)**	(2,930)
	(536)	5,080

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

Two (2014: one) of the Group's subsidiaries operating in PRC are eligible for certain tax holidays and concessions. One is exempted from PRC income taxes whereas another one is entitled for 50% PRC income taxes reduction for the year.

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

12. INCOME TAX (CREDIT) EXPENSE *(Continued)*

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

	2015 ***HK$'000***	2014 *HK$'000*
Profit (loss) before tax	**31,438**	(57,449)
Tax at the domestic income tax rate of 25%	**7,860**	(14,362)
Tax effect of expenses not deductible for tax purpose	**15,789**	18,490
Tax effect of income not taxable for tax purpose	**(36,242)**	(35,545)
Tax effect of tax losses not recognised	**42,186**	19,827
Tax effect of share of results of an associate	**(2,189)**	(1,026)
Tax effect of other deductible temporary differences not recognised	**5,250**	27,735
Utilisation of tax loss not recognised in prior years	**(27,081)**	(6,322)
Over-provision in prior years	**(6,109)**	(3,717)
Income tax (credit) expense for the year	**(536)**	5,080

Details of deferred taxation are disclosed in Note 36.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Executive Directors						Independent Non-Executive Directors			
	Wang Hao HK$'000 (note d)	Liu Yongzheng HK$'000 (note d)	Yu Changjian HK$'000 (note c)	Liu Xiaoguang HK$'000 (note c)	Cao Guoxian HK$'000	Shen Jianping HK$'000	Pao Ping Wing HK$'000	Cheng Kai Tai, Allen HK$'000	Chan Yee Wah HK$'000	Total 2015 HK$'000
2015										
Fee	–	–	–	–	–	–	300	300	300	900
Other emoluments										
Salaries and other benefits	12	2	1,608	268	1,350	270	–	–	–	3,510
Contribution to retirement benefit schemes	–	–	–	–	–	–	–	–	–	–
Total emoluments	12	2	1,608	268	1,350	270	300	300	300	4,410

	Executive Directors					Independent Non-Executive Directors				
	Yu Changjian HK$'000 (note c)	Liu Xiaoguang HK$'000 (note c)	Cao Guoxian HK$'000	Shen Jianping HK$'000	Xue Huixuan HK$'000 (note b)	Pao Ping Wing HK$'000	Cheng Kai Tai, Allen HK$'000	Li Baochun HK$'000 (note a)	Chan Yee Wah HK$'000	Total 2014 HK$'000
2014										
Fee	–	–	–	–	–	300	300	–	300	900
Other emoluments										
Salaries and other benefits	2,340	390	1,950	390	295	–	–	–	–	5,365
Contribution to retirement benefit schemes	–	–	–	–	–	–	–	–	–	–
Total emoluments	2,340	390	1,950	390	295	300	300	–	300	6,265

Notes:

(a) Resigned on 8 August 2014.
(b) Resigned on 27 October 2014.
(c) Resigned on 29 September 2015.
(d) Appointed on 29 September 2015.

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

During the year ended 31 December 2015, 4 directors (2014: nil) waived emolument of HK$586,000, HK$600,000, HK$120,000 and HK$98,000 respectively.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were directors and the chief executive of the Company whose emoluments are included in the disclosures in Note 13. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 *HK$'000*	2014 *HK$'000*
Salaries and other benefits	**2,099**	3,199
Retirement benefits scheme contributions	**–**	–
	2,099	3,199

Their emoluments are within the following bands:

	2015 Number of employees	2014 Number of employees
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$1,500,000	**–**	3

No employees waived or agreed to waive any emoluments for the years ended 31 December 2015 and 2014. No emoluments have been paid to the employees as an inducement to join or upon joining the Group, or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: Nil).

16. EARNINGS (LOSS) PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings (loss) per share	**23,518**	(68,266)
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	(72,473)
Profit (loss) for the year attributable to owners of the Company for the purpose of diluted earnings (loss) per share	**23,518**	(140,739)

Number of shares

	2015	2014
	'000	*'000*
		(restated)
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**7,714,835**	5,650,248
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	402,821
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**7,714,835**	6,053,069

Note:

The weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share have been adjusted for the bonus element of the rights issue as detailed in Note 37. The weighted average number of ordinary shares for the year ended 2014 was restated retrospectively.

The computation of diluted earnings (loss) per share for both years does not assume the exercise of outstanding share options of the Company and the conversion of the outstanding convertible notes of the Company since their assumed exercise would result in an increase in earnings per share/a decrease in loss per share.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1 January 2014	48,419	5,361	7,471	8,682	3,452	294	73,679
Exchange realignment	(1,397)	(123)	(217)	(189)	(504)	(38)	(2,468)
Additions	28,038	–	10,529	7,890	6,686	2,954	56,097
Acquired on acquisition of subsidiaries (Note 39(b))	11,728	–	2,543	157	1,164	–	15,592
Disposals	(895)	(2,739)	–	(339)	(630)	–	(4,603)
At 31 December 2014	85,893	2,499	20,326	16,201	10,168	3,210	138,297
Exchange realignment	(3,468)	(224)	(1,091)	(824)	(673)	(252)	(6,532)
Additions	9,476	3,163	4,560	3,473	5,202	1,101	26,975
Acquired on acquisition of a subsidiary (Note 39(a))	–	–	130	4	251	–	385
Disposals	–	(586)	–	(1,849)	(2,256)	–	(4,691)
Transferred to assets held for sale (Note 30)	–	–	–	(1,110)	(872)	–	(1,982)
At 31 December 2015	91,901	4,852	23,925	15,895	11,820	4,059	152,452
DEPRECIATION							
At 1 January 2014	1,294	3,599	96	4,249	591	–	9,829
Exchange realignment	(75)	(88)	(9)	(99)	(46)	–	(317)
Provided for the year	4,289	848	1,472	3,049	3,288	–	12,946
Disposals	(137)	(2,016)	–	(39)	(53)	–	(2,245)
At 31 December 2014	5,371	2,343	1,559	7,160	3,780	–	20,213
Exchange realignment	(162)	(138)	(214)	(461)	(368)	–	(1,343)
Provided for the year	5,362	1,372	3,257	4,389	2,124	–	16,504
Disposals	–	(586)	–	(1,660)	(446)	–	(2,692)
Transferred to assets held for sale (Note 30)	–	–	–	(830)	(872)	–	(1,702)
At 31 December 2015	10,571	2,991	4,602	8,598	4,218	–	30,980
CARRYING VALUES							
At 31 December 2015	81,330	1,861	19,323	7,297	7,602	4,059	121,472
At 31 December 2014	80,522	156	18,767	9,041	6,388	3,210	118,084

The Group's buildings are situated in the PRC under medium term lease.

18. INTANGIBLE ASSETS

	Service concession arrangements HK$'000 (Note a)	Licenses and franchises HK$'000 (Note b)	Technology know-how HK$'000 (Note c)	Total HK$'000
COST				
At 1 January 2014	–	20,513	6,848	27,361
Acquired on acquisition of subsidiaries (Note 39(b))	328,022	28,500	–	356,522
At 31 December 2014	328,022	49,013	6,848	383,883
Addition	93,205	–	–	93,205
Exchange realignment	(17,878)	–	–	(17,878)
At 31 December 2015	403,349	49,013	6,848	459,210
AMORTISATION AND IMPAIRMENT				
At 1 January 2014	–	–	5,701	5,701
Provided for the year	5,377	11,722	873	17,972
At 31 December 2014	5,377	11,722	6,574	23,673
Provided for the year	10,609	14,089	274	24,972
Exchange realignment	(586)	–	–	(586)
At 31 December 2015	15,400	25,811	6,848	48,059
CARRYING VALUES				
At 31 December 2015	387,949	23,202	–	411,151
At 31 December 2014	322,645	37,291	274	360,210

Notes:

(a) Intangible assets arising from service concession arrangements represent:

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

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

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

* *for identification purposes only*

18. INTANGIBLE ASSETS *(Continued)*

Notes: *(Continued)*

(a) Intangible assets arising from service concession arrangements represent: *(Continued)*

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

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

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

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

(b) Licenses and franchises represent the rights to receive government subsidies for the treatment of certain waste electric and electronic products, namely television, refrigerator, washing machine, air-conditioner and microcomputer which are included in the 廢棄電器電子產品處理目錄(第一批) (first batch of Waste Electric and Electronic Products Treatment Catalog*).

(c) Technology know-how are license agreements entered into with independent third parties who granted the Group the right to use anaerobic digestion technology in the Group's waste treatment and waste-to-energy business in the PRC have finite useful lives.

All intangible assets are amortised on a straight-line basis over the following periods:

Service concession arrangement	30.50 years
Licenses and franchises	1.75 to 5.38 years
Technology know-how	5 to 10 years

19. GOODWILL

	HK$'000
COST	
At 1 January 2014, 31 December 2014	1,081,820
Arising on acquisition of a subsidiary (Note 39(a))	7,225
At 31 December 2015	1,089,045
IMPAIRMENT	
At 1 January 2014, 31 December 2014 and 31 December 2015	1,068,010
CARRYING VALUES	
At 31 December 2015	21,035
At 31 December 2014	13,810

* *for identification purposes only*

19. GOODWILL *(Continued)*

Impairment testing on goodwill with indefinite useful lives

For the purposes of impairment testing, goodwill with indefinite useful lives have been allocated to two individual CGUs, comprising one subsidiary in the provision of dismantling services and one subsidiary in the provision of service under service concession arrangements. The carrying amounts of goodwill (net of accumulated impairment losses) as at 31 December 2015 and 2014 allocated to these units are as follows:

	Goodwill	
	2015	2014
	HK$'000	*HK$'000*
江蘇蘇北廢舊汽車家電拆解再生利用有限公司 (Jiangsu Subei Waste Vehicles and Household Appliances Dismantling Recycling Limited*)("Jiangsu Subei")	**13,810**	13,810
浙江卓尚環保能源有限公司 (Zhejiang Zhoushang Environmental Energy Company Limited*) ("Zhejiang Zhoushang")	**7,225**	–
	21,035	13,810

During the year ended 31 December 2015, management of the Group determines that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiangsu Subei

The recoverable amount of this CGU has been determined based on a value in use calculation. At 31 December 2015, the recoverable amount of this CGU of goodwill is determined taking into account the valuation performed by management, based on the cash flows forecasts derived from the most recent financial budgets for the next 5 years (2014: 3 years) and a discounted rate of 12.60% per annum (2014: 17% per annum) which reflects current market assessments of the time value of money and the risks specific to this CGU. Other key assumptions for the value in use calculations are the budgeted growth rate and budgeted gross margin, which are determined based on past performance, management's expectations for the market development and market growth forecasts. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this unit.

Zhejiang Zhoushang

A wholly owned subsidiary of the Company acquired 70% equity interest of Zhejiang Zhoushang during the year ended 31 December 2015 (Note 39(a)) and the amount of goodwill as a result of acquisition was approximately HK$7,225,000.

The recoverable amount of this CGU has been determined based on a value in use calculation. At 31 December 2015, the recoverable amount of this CGU of goodwill is determined taking into account the valuation performed by management, based on the cash flows forecasts derived from the most recent financial budgets for the next 30 years and a discounted rate of 12.5% per annum which reflects current market assessments of the time value of money and the risks specific to this CGU. Other key assumptions for the value in use calculations are the budgeted growth rate and budgeted gross margin, which are determined based on management's expectations for the market development and market growth forecasts. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this unit.

* *for identification purposes only*

20. PREPAID LEASE PAYMENTS

	2015 *HK$'000*	2014 *HK$'000*
Analysed for reporting purposes as:		
Current asset	**1,997**	1,238
Non-current asset	**87,637**	69,121
	89,634	70,359
The Group's prepaid lease payments comprise:		
Medium-term leasehold land in the PRC	**89,634**	70,359

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

The Group has pledged prepaid lease payment with a net book value of approximately HK$68,092,000 (2014: approximately HK$44,976,000) to secure the borrowings granted to the Group.

21. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK

	2015 *HK$'000*	2014 *HK$'000*
Analysed for reporting purpose as:		
Current asset	**52,742**	72,695
Non-current asset	**1,155,168**	1,330,171
	1,207,910	1,402,866

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

Several subsidiaries of the Company entered into service concession arrangements with certain government authorities in the PRC ("Grantors") in respect of their waste treatment and waste-to-energy businesses. These subsidiaries acted as operators in these service concession arrangements to construct waste treatment and waste-to-energy plants on a BOT basis, operate and maintain the waste treatment and waste-to-energy plants at a specified level of serviceability on behalf of the relevant government authorities over the relevant service concession periods. The effective interest rate is ranged from 3.6% to 12.55% during the year ended 31 December 2015 (2014: 3.6% to 13.58%).

21. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK *(Continued)*

As at 31 December 2015, the major terms of the Group's significant service concession arrangements are set out as follows:

Name of subsidiary as operator	Name of waste treatment and waste-to-energy plant	Location	Name of grantor	Service concession period	Waste treatment	Electricity generation	Status	Balance as at 31 December 2015 HK$'000	Balance as at 31 December 2014 HK$'000
北京一清百瑪士綠色能源有限公司 (Beijing Yiqing Biomax Green Energy Park Co., Ltd.*) ("BJ Yiqing Biomax")	北京市董村分類綜合處理廠 (Beijing Dongcun Sorting Comprehensive Treatment Plant*) ("Beijing Plant")	Dongcun, Beijing	北京市市政管理委員會 (Beijing Municipal Administration Committee*)	January 2014 to December 2038 (25 years) (Note 1)	930 tonnes (Note 1)	36 million kWh	Trial run (Note 1)	**N/A (Note 4)**	282,616
南昌百瑪士綠色能源有限公司 (Nanchang Biomax Green Energy Co., Ltd.*) ("NC Biomax GE")	南昌市垃圾焚燒發電廠 (Nanchang Solid Waste Incineration Power Generation Plant*)	Quanling, Nanchang	南昌市市環境管理局 (Nanchang City Environment Administration Bureau*)	25 years after obtaining the approval for commercial operation (Note 2)	1,200 tonnes	131 million kWh	Trial run (Note 2)	**734,127**	681,006
都勻市科林環保有限公司 (Duyun Kelin Environmental Company Limited*) ("Duyun Kelin")	都勻市生活垃圾填埋場 (Duyun Municipal Solid Waste Landfill Site*) ("Duyun Site")	Duyun, Guizhou	都勻市人民政府 (Duyun People's Government*)	June 2012 to June 2042 (30 years)	300 tonnes	N/A	Operating	**147,700**	145,359
甕安縣科林環保有限公司 (Weng'an Kelin Environment Company Limited*) ("Weng'an Kelin")	甕安縣生活垃圾填埋場 (Weng'an Municipal Solid Waste Landfill Site*) ("Weng'an" Site)	Weng'an, Guizhou	甕安縣人民政府 (Weng'an People's Government*)	30 years after obtaining the approval for commercial operation	150 tonnes	N/A	Operating	**62,692**	58,061
惠州廣惠能源有限公司 (Huizhou Guanghui Energy Company Limited*) ("Huizhou Guanghui")	惠州市生活垃圾焚燒發電廠 (Huizhou Municipal Solid Waste Incineration Power Generation Plant*)	Gonglian Village, Huizhou	惠州市市容環境衛生管理局 (Huizhou Environmental and Hygiene Control Authority*)	(Note 3)	1,600 tonnes	161 million kWh	Operating	**187,687**	175,538
葫蘆島康達錦程環境治理有限公司 (Huludao Kangte Jincheng Environment Management Company Limited*) ("Huludao Kangte")	葫蘆島市生活垃圾填埋場 (Huludao Municipal Solid Waste Landfill Site*)	Huludao, Liaoning	葫蘆島市住房和城鄉建設委員會 (Huludao City Housing and Urban-Rural Construction Commission*)	20 years after obtaining the approval for commercial operation	420 tonnes	N/A	Under construction	**58,130**	50,952

* *for identification purposes only*

21. AMOUNTS DUE FROM GRANTORS FOR CONTRACT WORK *(Continued)*

Notes:

1. On 25 July 2013, the Company received a notice named "Notice of Accelerating the Construction of Dongcun Waste Sorting Comprehensive Treatment Plant" ("Notice") dated on 23 July 2013 from Beijing Municipal Administration Committee in relation to the amendments of the operational terms and conditions of Beijing Plant, in which the Group currently owns 60% interest. The Notice states that (i) the commencement of the concessionary period will be changed from 31 December 2008 to 1 January 2014 while the concessionary period will be ended at 31 December 2038 instead of 31 December 2034 as stated in the original concessionary agreement; (ii) the minimum guaranteed volume of municipal waste will increase from 360 tonnes to 500 tonnes per day; and (iii) the waste treatment capacity will increase from 650 tonnes per day to 930 tonnes per day.

2. The waste treatment and waste-to-energy plant has started trial run in the year ended 31 December 2015 and expected to start commercial operation in the first half of 2016.

3. Under the cooperation agreement signed on 3 August 2001, the existing plant has a service concession period of 27 years. A new cooperation agreement in respect of the construction and operation of a new waste treatment plant has been signed on 20 August 2013, superseding the one signed on 3 August 2001. Pursuant to the new cooperation agreement, the existing waste treatment plant will continue to operate not more than three years following the signing of the new cooperation agreement, by then it will be demolished and replaced by the new treatment plant for a term of 30.5 years.

4. The amount is reclassified to assets classified as held for sale as at 31 December 2015. For details, please refer to Note 30.

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

The Group recognised revenue from construction services of approximately HK$250,957,000 (2014: approximately HK$505,360,000) by reference to the stage of completion of the construction work and revenue from operation services of approximately HK$54,526,000 (2014: approximately HK$60,244,000).

Pursuant to the service concession agreements of the Duyun Site and Weng'an Site, the Group is required to surrender these waste treatment and waste-to-energy plants to the grantors at a specified level of serviceability at the end of the respective service concession periods. As at 31 December 2015, provision of approximately HK$955,000 (2014: approximately HK$1,000,000) has been recognised in respect of the contractual obligations to maintain or restore these waste treatment and waste-to-energy plants to specified conditions. Movement of the provision for maintenance is detailed in Note 31(c).

22. AVAILABLE-FOR-SALE INVESTMENTS

	2015 **HK$'000**	2014 HK$'000
COST		
Listed securities		
– Equity securities listed in HK	**103,207**	–
Unlisted securities		
– Equity securities in the PRC (Note)	**34,700**	34,700
– Deemed capital contribution for equity securities in the PRC	**22,144**	22,144
	160,051	56,844
IMPAIRMENT		
At 1 January and 31 December	**(56,844)**	(56,844)
CARRYING VALUES	**103,207**	–

Note:

The unlisted equity securities are issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

Included in unlisted equity securities in the PRC as at 31 December 2015 and 2014 is the Group's investment in 上海百瑪士綠色能源有限公司 (Shanghai Biomax Green Energy Park Company Limited*) ("SH Biomax GEP"), a sino-foreign-owned joint venture enterprise established in the PRC, which was acquired on acquisition of Smartview Investment Holdings Limited ("Smartview") in 2009. SH Biomax GEP operates a waste treatment and waste-to-energy plant in Shanghai, the PRC on a build-own-operate basis. The investment represents 33.8% equity interest of SH Biomax GEP. Such investment is a passive investment as 上海振環實業總公司 (Shanghai Zhen Huan Industrial Corporation*), a major shareholder of SH Biomax GEP with 37% equity interest has the right to appoint all the directors to govern the financial and operating policies of SH Biomax GEP. In addition, the Group has surrendered all its voting rights in shareholders' meetings of SH Biomax GEP to the major shareholder under a contractual arrangement with the major shareholder. Accordingly, the directors of the Company considered that the Group has no significant influence over the financial and operating policy decision in SH Biomax GEP and hence the investment is accounted for as available-for-sale investment rather than as an associate.

In prior years, the directors of the Company considered the investment cost is irrecoverable (see Note 27 for the basis of determination), hence impairment loss of investment cost comprising of equity owned by the Group and deemed capital contribution amounting to HK$34,700,000 and HK$22,144,000 were recognised respectively.

* *for identification purposes only*

23. INTERESTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Cost of investment in associates		
– Unlisted	**98,849**	75,021
Share of post-acquisition profits	**37,773**	38,144
Dividend declared (Note 40)	**(21,788)**	(9,124)
Share of other comprehensive (loss) income	**(462)**	4,049
	114,372	108,090

At 31 December 2015, the Group held approximately 46% (2014: 46%) equity interest in 深圳粵能環保再生能源有限公司 (Shenzhen Yueneng Environmental Recycling Energy Limited*) ("SZ Yueneng") and approximately 24% (2014: N/A) equity interest in Changzhou Lianhe (Note 9), companies established in the PRC. SZ Yueneng operates a waste treatment and waste-to-energy plant in Shenzhen, the PRC on a BOT basis, while Changzhou Lianhe is engaged in the business of trading and manufacturing of boiler products.

Summarised financial information of a material associate

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

SZ Yueneng is accounted for using the equity method in these consolidated financial statements.

	2015 HK$'000	2014 HK$'000
Current assets	**36,268**	34,318
Non-current assets	**331,318**	365,662
Current liabilities	**(104,927)**	(64,152)
Non-current liabilities	**(65,823)**	(100,850)
Revenue	**68,639**	58,177
Profit for the year	**19,030**	8,918
Total comprehensive income/(expense) for the year	**9,224**	(4,369)

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

	2015 HK$'000	2014 HK$'000
Net assets of SZ Yueneng	**196,836**	234,978
Proportion of the Group's ownership interest in SZ Yueneng	**46%**	46%
Carrying amount of the Group's interest in SZ Yueneng	**90,545**	108,090

* *for identification purposes only*

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

The amount represents advance payments to third party suppliers for purchase of materials and equipment, which have not yet been delivered to the Group at the end of the reporting period, for the construction of waste treatment and waste-to-energy plants in the PRC under service concession arrangements. Included in the deposits paid balance is an advance payment to a third party supplier, Urban Construction Institute, with aggregate carrying amount of approximately HK$47,792,000 (2014: approximately HK$50,063,000), net of impairment loss. The Group has submitted a dispute with Urban Construction Institute to the Nanchang Arbitration Committee during the year ended 31 December 2012.

Subsequent to the first order issued by the Nanchang Arbitration Committee during the year ended 31 December 2013, the Nanchang Arbitration Committee further issued the Verdict during the year ended 31 December 2014 which determined that most of the deposit paid to Urban Construction Institute for the construction of waste treatment and waste-to-energy plant has been utilised by Urban Construction Institute and approximately HK$50,063,000 (approximately RMB40,050,000) deposit can be refunded to the Group by means of transferring the construction contracts signed between Urban Construction Institute with two independent sub-contractors. The Group had thus recognised an impairment loss on such deposit of approximately HK$104,918,000 (approximately RMB83,620,000) in the profit or loss during the year ended 31 December 2014.

During the year ended 31 December 2015, the Group has filed a litigation to the Intermediate Court to invalidate the Verdict. The Intermediate Court has subsequently released the Ruling in favour of the Group, invalidating the Verdict. With reference to the Ruling, the Group has lodged an appeal to the Nanchang Arbitration Committee again and requested a cash refund for all the deposits of approximately HK$154,535,000 (approximately RMB129,500,000) paid to Urban Construction Institute and the relevant interest loss of approximately HK$51,462,000 (approximately RMB43,125,000).

The appeal has been accepted by the Nanchang Arbitration Committee and the Urban Construction Institute appealed to the High Court on 23 December 2015 requesting the Group to repay approximately HK$107,876,000 (approximately RMB90,400,000) compensation for the expenses it had incurred. The appeal made by the Group to the Nanchang Arbitration Committee has been subsequently released unconditionally on 15 January 2016 upon the appeal by the Urban Construction Institute made to the High Court. The final resolution from the High Court is not yet released and the amount of deposits refundable from Urban Construction Institute is yet to be finalized. The Group has not made further impairment on such deposits during the year ended 31 December 2015, after taking into account the legal opinion provided by an independent lawyer.

25. INVENTORIES

	2015 ***HK$'000***	2014 *HK$'000*
Raw materials	**2,792**	11,118
Work-in-progress	**–**	262
Finished goods	**28,345**	14,914
	31,137	26,294

26. TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2015 *HK$'000*	2014 *HK$'000*
Trade receivables (Note a)	**325,749**	226,397
Less: allowance for doubtful debts	**(8,189)**	(8,741)
	317,560	217,656
Deposits, prepayments and other receivables		
Advances to suppliers (Note b)	**38,992**	40,640
Deposits for acquisitions (Note c)	**26,492**	10,875
Value added tax receivable	**18,433**	862
Loan receivable (Note d)	**37,408**	–
Loan to a non-controlling interest (Note e)	**12,530**	–
Others	**13,651**	7,267
	147,506	59,644
Analysed for reporting purpose as:		
Current asset	**82,262**	55,269
Non-current asset	**65,244**	4,375
	147,506	59,644

(a) Trade receivables

The Group allows an average credit period of normally 180 days to its trade customers for both years.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of reporting period. (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015 *HK$'000*	2014 *HK$'000*
0 – 90 days	**77,289**	76,898
91 – 180 days	**87,602**	55,446
181 – 360 days	**135,649**	84,468
Over 360 days	**17,020**	844
	317,560	217,656

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

(a) Trade receivables *(Continued)*

Before accepting any new customer, the Group assesses the potential customer's credit quality by respective sales team and defines credit limits by customer.

Included in the Group's trade receivable balance is government subsidies provided by the PRC government for treatment of certain waste electric and electronic products with an aggregate carrying amount of approximately HK$149,288,000 (2014: approximately HK$85,312,000), which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. In the opinion of the directors of the Company, the credit risk on these balances is limited because the customers are government authorities.

Aging of trade receivables which are past due but not impaired

	2015 HK$'000	2014 HK$'000
Overdue by:		
181 – 360 days	**135,649**	84,468
Over 360 days	**17,020**	844
	152,669	85,312

Movement in the allowance for doubtful debts

	2015 HK$'000	2014 HK$'000
Balance at the beginning of the year	**8,741**	8,452
Exchange realignment	**(552)**	289
Balance at the end of the year	**8,189**	8,741

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$8,189,000 (2014: approximately HK$8,741,000) that are considered irrecoverable by the management after consideration of the credit quality of those individual customers based on the amounts subsequently settled after year end, the ongoing relationship with the Group and the aging of these receivables. The Group does not hold any collateral over these balances.

(b) Advances to suppliers

During the year ended 31 December 2015, an impairment loss of approximately HK$18,273,000 (2014: approximately HK$6,023,000) was recognised in profit or loss in relation to advances that have been overdue for more than 360 days and the recovery of such advances is not expected by the directors of the Company taking into account of the financial situation of the supplier.

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

(c) Deposits for acquisitions

During the year ended 31 December 2015, deposits of approximately HK$20,080,000 (2014: approximately HK$4,375,000) were paid for two (2014: one) potential acquisition of equity interests in two (2014: one) companies with BOT projects. The acquisitions are expected to be completed in the coming year and the amounts are classified as non-current assets. In addition, approximately HK$6,412,000 (2014: approximately HK$6,500,000) was paid for a BOT project tendering and expected to be refunded in the coming year.

(d) Loan receivable

On 1 December 2015, a wholly owned subsidiary of the Company acquired 70% equity interest in Zhejiang Zhoushang, from independent third parties (Note 39(a)) and approximately HK$37,408,000 was receivable from a related party of a former shareholder of Zhejiang Zhousang. The amount was expected to be repaid in five years and the first instalment of approximately HK$4,774,000 will become due in 2016. The loan carries interest rate at PRC Benchmark Loan Rate per annum.

(e) Loan to a non-controlling interest

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

27. AMOUNT DUE FROM AN INVESTEE

	2015 ***HK$'000***	2014 *HK$'000*
Trade receivable		
SH Biomax GEP (Note)	**20,300**	20,300
Other receivable		
SH Biomax GEP (Note)	**41,404**	41,404
Less: impairment loss recognised (Note)	**(61,704)**	(61,704)
	–	–

Note:

The receivables due from SH Biomax GEP, an available-for-sale investment of the Group, are past due over 6 years (2014: over 5 years). The other receivable due from SH Biomax GEP is unsecured and interest free.

In prior years, SH Biomax GEP had liquidity problems and cannot repay its liabilities as they fall due. As a result, its major shareholder, which is also its largest creditor, filed a liquidation application to the 上海市普陀區人民法院 (Shanghai Putuo District People's Court*) to wind up SH Biomax GEP.

As a result, the directors of the Company made a full impairment loss on the amount due from SH Biomax GEP in prior years given that SH Biomax GEP was under liquidation and the recovery of such an advance was expected to be remote.

During the year ended 31 December 2015, Shanghai Putuo District People's Court issued a ruling to liquidate SH Biomax GEP. Under the ruling, the remaining assets of SH Biomax GEP was realised to compensate the eligible creditors and the Group received approximately HK$27,364,000, a reversal of impairment loss was therefore recognised.

* *for identification purposes only*

28. AMOUNT DUE FROM AN ASSOCIATE

During the year ended 31 December 2014, an associate entered into a supplementary agreement with the Group to extend the advance of approximately HK$14,051,000 (RMB11,100,000) for 12 months from June 2014 to June 2015. The interest rate of the advance was at PRC Benchmark Loan Rate plus 20% per annum.

Included in the amount due from an associate as at 31 December 2014 also represented the dividend distributed by the associate to the Group of approximately HK$9,090,000 (RMB7,272,000).

During the year ended 31 December 2015, the advance of approximately HK$13,155,000 (RMB11,100,000) was extended for an addition of 12 months from June 2015 to June 2016. In addition, the dividend distributed by the associate to the Group in 2014 amounted to approximately HK$8,678,000 (RMB7,272,000) together with the dividend distributed by the associate to the Group in 2015 amounted to approximately HK$21,086,000 (RMB17,670,000) were transferred as loans to associate which will be matured in December 2016. The advance and the loans carry interest rate at PRC Benchmark Loan Rate plus 20% per annum.

29. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Bank balances, represent saving accounts and deposits, carry interest at market saving rates which range from 0.01% to 0.40% (2014: 0.01% to 0.40%) per annum.

Pledged bank deposits represents deposits pledged to banks to secure short-term banking facilities and are therefore classified as current assets. The pledged deposits carry average fixed interest rate of 1.14% per annum for the year ended 31 December 2014.

30. ASSETS HELD FOR SALE

On 12 November 2015, the Group has entered into a sales and purchase agreement regarding the disposal of 40% equity interest of BJ Yiqing Biomax (the "Disposal"), one of the subsidiaries of the Group, which is engaged in a waste treatment project in Beijing Dongcun at the total consideration of approximately HK$45,724,000 (approximately RMB37,479,000), to 北京環境衛生工程集團有限公司 (Beijing Environment Sanitation Engineering Group Company Limited*) (the "Buyer") which is also the 40% equity interest shareholder of BJ Yiqing Biomax.

As at 31 December 2015, the Group and the Buyer obtained approval from the local authorities for the Disposal. On 29 January 2016, the consideration for the 40% equity interest of BJ Yiqing Biomax was paid to the Group. The Disposal is expected to be completed in the first half of 2016 and the 40% of equity interest would be transferred to the Buyer when the Group and the Buyer complete share transfer registration.

The assets and liabilities attributable to BJ Yiqing Biomax, which are expected to be disposed within twelve months, have been classified as assets held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2015 (see below). The net proceeds of disposal are expected to be equivalent to approximately the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of BJ Yiqing Biomax classified as held for sale are as follows:

	HK$'000
Property, plant and equipment	280
Prepaid lease payments	2,079
Amount due from grantor for contract work	287,538
Deposit paid for construction of infrastructure in service concession arrangements	1,899
Deferred tax assets	2,215
Deposits, prepayments and other receivables	7,736
Bank balances and cash	6,290
Assets classified as held for sale	308,037
Trade payables	(7,209)
Other payables and accruals	(37,827)
Bank borrowings	(87,928)
Liabilities associated with asset classified as held for sale	(132,964)

Note: An amount of HK$3,142,000 relating to disposal group classified as held for sale has been recognised in other comprehensive income and accumulated in equity.

* *for identification purposes only*

31. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

(a) Trade payables

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period. (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015	2014
	HK$'000	*HK$'000*
0 – 90 days	**15,360**	91,823
91 – 180 days	**611**	171
181 – 360 days	**–**	18,697
Over 360 days	**9,963**	21,606
	25,934	132,297

The average credit period on purchases of goods ranges from 30 to 90 days unless for those over 360 days which are based on agreed contract terms. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(b) Other payables and accruals

	2015	2014
	HK$'000	*HK$'000*
Amount due to vendors of Zhejiang Zhousang	**14,916**	–
Amount due to related parties of vendors of Huizhou Guanghui (Note)	**1,506**	119,979
Accrued interest	**–**	19,582
Accrued professional fee	**292**	3,988
Business tax payable	**1,492**	1,563
Accrued payroll	**2,647**	1,884
Accrued purchases	**92,879**	138,985
Others	**31,444**	36,853
	145,176	322,834

Note: Amount represented the payable to the related parties of Richway Investment Management Limited and Huizhou Energy(s) Pte. Limited, vendors of Huizhou Guanghui. The payable amount mainly represents the construction cost of the existing plant operating under the BOT.

31. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS *(Continued)*

(c) Provisions

	Expected loss relating to service concession arrangements HK$'000	Provision for maintenance HK$'000	Total HK$'000
At 1 January 2014	8,245	1,025	9,270
Exchange realignment	(207)	(25)	(232)
At 31 December 2014	8,038	1,000	9,038
Reclassified to liabilities associated with assets classified as held for sale (Note 30)	(7,674)	–	(7,674)
Exchange realignment	(364)	(45)	(409)
At 31 December 2015	–	955	955

As at 31 December 2014, provision of HK$1,000,000 has been recognised in respect of the contractual obligations to maintain or restore a waste treatment and waste-to-energy plant to specified conditions. The amount of provision for maintenance for the year ended 31 December 2015 was insignificant.

(d) Deferred income

NC Biomax GE and Yangzhou Capital received government subsidies for the capital expenditures and expansions on the waste treatment and waste-to-energy plants, during the year ended 31 December 2014 and 2015 respectively. The NC Biomax GE plant was under trial run whereas the Yangzhou Capital plant was still under construction as at 31 December 2015. The government subsidies were therefore recognised as deferred income and would be amortised over the concession period when the plants commence operation.

32. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans	**938,175**	1,107,082
Other loans (Note)	**–**	555,750
	938,175	1,662,832
Secured loan	**938,175**	1,598,332
Unsecured loan	**–**	64,500
	938,175	1,662,832

Note:

Included in other loans as at 31 December 2014, amounting to HK$2,500,000 was a variable rate borrowing loan, that will be repayable on demand with a non-controlling shareholder of a subsidiary. The balance is unsecured and carries interest at PRC Benchmark Loan Rate.

Included in other loans as at 31 December 2014, amounting to approximately HK$553,250,000 were loans advanced from related parties, these loans were repaid and the relevant pledges were released during the year ended 31 December 2015.

– In October 2013, the Company entered into a fixed-rate long-term loan agreement with the substantial shareholder of the Company, Beijing Capital (HK) Limited ("Beijing Capital (HK)"), of HK$220,000,000 that was due in October 2015. HK$160,000,000 had been drawn down as at 31 December 2013 and the remaining amount of HK$60,000,000 was drawn down as at 31 December 2014. The balance is secured by the equity interest of subsidiaries and an associate held by the Group and carries interest at a fixed rate of 5.13% per annum.

– During the year ended 31 December 2014, the Company entered into a fixed-rate short-term loan agreement of HK$150,000,000 with Beijing Capital (HK). The loan was matured in September 2015. The balance is secured by the equity interest of a subsidiary held by the Group and carries interest at fixed rate of 5.50% per annum.

– The Company has entered also into a fixed-rate short-term loan agreement of US$8,000,000 (approximately HK$62,000,000) with Beijing Capital (HK) during the year ended 31 December 2014. The loan will be repayable on demand as the Group and Beijing Capital (HK) have mutually agreed to extend the loan until Beijing Capital (HK) demands for repayment. The balance is unsecured and carries interest at a fixed rate of 5.50% per annum.

– During the year ended 31 December 2012, the Group entered into three fixed-rate loan agreements ("Original Loan Agreements") with Beijing Capital (HK) of RMB40,000,000, RMB21,000,000 and RMB36,000,000, totalling RMB97,000,000 (approximately HK$121,250,000) that will be due in December 2012, August 2013 and August 2013 respectively. The balance is unsecured and carries interest at fixed rate of 7.2%, 6.9% and 6.9% per annum respectively. In November 2012, the Group entered into three supplementary loan agreements which were approved by the independent shareholders in December 2012 (i) to extend the respective term of the Original Loan Agreements for another 24 months and (ii) the loans under the Original Loan Agreements are secured by the entire equity interest of a subsidiary held by the Group. The loan will be repayable on demand as the Group and Beijing Capital (HK) have mutually agreed to extend the loan until Beijing Capital (HK) demands for repayment.

32. BORROWINGS *(Continued)*

	2015	2014
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**458,723**	1,025,913
More than one year, but not exceeding two years	**69,356**	74,263
More than two years, but not exceeding three years	**97,351**	87,650
More than three years, but not exceeding four years	**98,353**	116,975
More than four years, but not exceeding five years	**111,253**	120,525
More than five years	**103,139**	237,506
	938,175	1,662,832
Less: Amounts due within one year shown under current liabilities	**(458,723)**	(1,025,913)
Amounts shown under non-current liabilities	**479,452**	636,919

The exposure of the Group's fixed-rate and variable-rate borrowings and the contractual maturity dates is as follows: (As at 31 December 2015, the analysis does not include BJ Yiqing Biomax which is reclassified to assets classified as held for sale.)

	2015	2014
	HK$'000	*HK$'000*
Fixed-rate borrowings:		
Within one year	**367,542**	584,500
Variable-rate borrowings:		
Within one year	**91,181**	441,413
More than one year, but not exceeding two years	**69,356**	74,263
More than two years, but not exceeding three years	**97,351**	87,650
More than three years, but not exceeding four years	**98,353**	116,975
More than four years, but not exceeding five years	**111,253**	120,525
More than five years	**103,139**	237,506
	570,633	1,078,332

32. BORROWINGS *(Continued)*

As at 31 December 2015, the Group's fixed rate bank borrowings of (i) approximately HK$14,320,000 (2014: approximately HK$31,250,000) was secured by the prepaid lease payment with carrying amount of approximately HK$42,029,000 (2014: approximately HK$44,976,000); (ii) approximately HK$347,255,000 (2014: nil) was secured by a corporate guarantee from Beijing Capital Co., Ltd. and (iii) approximately HK$5,967,000 (2014: nil) was secured by independent third parties.

As at 31 December 2015, the Group's variable rate borrowings of (i) approximately HK$340,095,000 (2014: approximately HK$375,000,000) was secured by a corporate guarantee from Beijing Capital Co., Ltd; (ii) approximately HK$51,540,000 (2014: approximately HK$60,900,000) was secured by a corporate guarantee of a non-controlling shareholder of a subsidiary; (iii) approximately HK$34,607,000 (2014: nil) was secured by prepaid lease payment with carrying amount of approximately HK$26,063,000; and (iv) approximately HK$144,391,000 (2014: approximately HK$177,500,000) was secured by the BOT contract that gives right to the Group to receive waste treatment fee and electricity tariff in Huizhou.

As at 31 December, 2014, the Group's variable rate borrowing of approximately HK$90,432,000 was secured by the BOT contract that gives right to the Group to operate the waste treatment project in Beijing.

As at 31 December 2014, the Group's variable rate bank borrowings of approximately HK$372,000,000 was secured by the pledged deposit of HK$22,077,000 held by the Company. The amount was repaid during the year and the pledge was released accordingly.

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

	2015	2014
Effective interest rate:		
Fixed-rate borrowings	**3.9% - 5.66%**	4.0% - 7.22%
Variable-rate borrowings	**PRC Benchmark Loan Rate**	PRC Benchmark Loan Rate

The Group's borrowings that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2015 ***HK$'000***	2014 *HK$'000*
USD	–	62,000
HK$	–	742,000

32. BORROWINGS *(Continued)*

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

	2015 **HK$'000**	2014 HK$'000
Floating rate		
– expiring within one year	**449,881**	34,569
Fixed rate		
– expiring within one year	**17,900**	–
– expiring beyond one year	**1,551,313**	–
	2,019,094	34,569

33. CONVERTIBLE NOTES

On 11 December 2009, the Company issued convertible notes with an aggregate principal amount of HK$676,040,000 to a substantial shareholder of the Company and an independent third party of the Group ("Convertible Notes") to satisfy part of the consideration for the acquisition of Smartview in prior years.

The initial conversion price was HK$1.20 per share, subject to anti-dilutive adjustments, and the initial number of ordinary shares issuable upon conversion of the Convertible Notes was 563,366,667 shares, which represented 51.91% of the total number of ordinary shares of the Company issued and outstanding as of the issuance date of Convertible Notes on a fully diluted basis. Pursuant to the terms of Convertible Notes, holders of the Convertible Notes undertook to the Company that the conversion rights would only be exercised to the extent that the converted shares held by the holders will not trigger a change in control as defined in the Hong Kong Code on Takeovers and Mergers. The conversion price for the Convertible Notes was adjusted successively to HK$0.85 per share on 8 July 2013 upon completion of the rights issue.

The Convertible Notes bear zero interest and will mature on 10 December 2014, the date on which any outstanding principal amount of the Convertible Notes shall be redeemed at par if not converted before the maturity date. The Company is not entitled to redeem the Convertible Notes at any time before the maturity date. Pursuant to the terms of Convertible Notes, the Convertible Notes may be assigned or transferred, in whole multiples of HK$1,000,000 of its outstanding principal amount, to any non-connected person of the Company as defined in the Listing Rules.

The holders of the Convertible Notes shall have the right at any time after the issue date of the Convertible Notes to convert the whole or part of the outstanding principal amount of the Convertible Notes into ordinary shares of the Company in full board lot of shares or multiples thereof provided that such amounts shall exceed HK$1,000,000 on each conversion, unless the outstanding principal amount is less than HK$1,000,000 and in such event, the entire outstanding principal amount shall be converted.

The Convertible Notes contain two components, liability and equity elements. The equity element is presented in equity heading "convertible notes equity reserve". The effective interest rate of the liability component for Convertible Notes is 13.699% per annum.

33. CONVERTIBLE NOTES *(Continued)*

During the year ended 31 December 2014, the outstanding Convertible Notes with principal amount of HK$16,000,000 was redeemed on date of maturity (10 December 2014).

The movements of the liability component and equity component of Convertible Notes for the year ended 31 December 2014 are set out below:

	HK$'000
Liability component	
At 1 January 2014	14,177
Effective interest charged to profit or loss (Note 10)	1,682
Transfer to equity upon rights issue	141
Redemption on maturity	(16,000)
At 31 December 2014	–
Equity component	
At 1 January 2014	141
Redemption on maturity	(141)
At 31 December 2014	–

34. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES

On 6 December 2011, the Company signed an agreement with Beijing Capital (HK) for the subscription of a convertible bond in the principal amount of HK$100,000,000 ("Convertible Bonds I"). The subscription money in the total sum of HK$100,000,000 shall be payable by two instalments of HK$50,000,000 each. The first instalment was paid on 11 September 2012 and the second instalment was paid on 31 December 2012.

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

The conversion price for the Convertible Bonds I was adjusted to HK$0.29 per share upon the completion of rights issue on 8 July 2013.

The Convertible Bonds I contains two components for accounting purposes: a liability component and an embedded derivative component being the conversion options derivatives. The effective interest rate of the liability components is 17.32% per annum. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

On 4 November 2014, Beijing Capital (HK) converted Convertible Bonds I with the principal amount of HK$22,000,000 at HK$0.29 per share.

34. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES *(Continued)*

On 19 November 2014, the Company entered into a supplementary deed with Beijing Capital (HK) to amend the terms and conditions of the Convertible Bond I, where (i) the maturity date of the Convertible Bond I will be extended for 12 months and the conversion period will accordingly be extended for 12 months to 31 December 2015; and (ii) the denominations of the Convertible Bond I will be amended such that the denomination of the principal amount, the conversation price of the Convertible Bond I, the integral multiple of the principal amount of conversion of the Convertible Bond I, will be converted from Hong Kong Dollars to RMB, and the principal amount, the conversation price and the integral multiple of the principal amount for conversion of the Convertible Bond I will be converted to the equivalent RMB amount calculated based on the official mid-exchange rate between Hong Kong Dollars and RMB as of the effective date of the amendment terms, as quoted on the China Foreign Exchange Trading System; and (iii) subject to the other terms and conditions of the Convertible Bond I, payment of the sums payable under the Convertible Bonds I shall be made in RMB, unless otherwise agreed by Beijing Capital (HK).

The amendment on the terms and conditions of the Convertible Bonds I was passed on an extraordinary general meeting held on 29 December 2014. The conversion price of the Convertible Bonds I was adjusted to RMB0.229 by converted HK$0.29 by the exchange rate of HK$1 to RMB0.78861. For accounting purposes, the conversion option is classified as equity instrument and the changes in fair value are not recognised in profit or loss.

Under the amendment, the Convertible Bonds I are deemed as to be redeemed and the amended Convertible Bonds I ("Convertible Bonds II") are deemed to be issued. Gain on fair value change of embedded derivatives amount to HK$86,762,000 was recognised upon the amendment on the terms and conditions of the Convertible Bonds I. The effective interest rate of the liability components of Convertible Bond II is 22% per annum.

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

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

34. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES *(Continued)*

The movement of the liability component and embedded derivatives of the Convertible Bonds for the year are set out as below:

	Convertible Bonds I *HK$'000*	Convertible Bonds II *HK$'000*	Total *HK$'000*
Liabilities component			
At 1 January 2014	85,170	–	85,170
Conversion	(21,458)	–	(21,458)
Effective interest charged to profit or loss (Note 10)	14,288	–	14,288
Amendment (Note)	(78,000)	63,674	(14,326)
At 31 December 2014	–	63,674	63,674
Conversion	–	(72,032)	(72,032)
Effective interest charged to profit or loss (Note 10)	–	8,358	8,358
At 31 December 2015	–	–	–
Option component			
At 1 January 2014	149,112	–	149,112
Conversion	(24,695)	–	(24,695)
Gain on fair value change of embedded derivatives	(86,762)	–	(86,762)
Amendment (Note)	(37,655)	–	(37,655)
At 31 December 2014 and 31 December 2015	–	–	–

Note: Upon the amendment on the terms and conditions, Convertible Bonds I are deemed to be redeemed and Convertible Bonds II are deemed to be issued. The value of the liability component and conversion option component of Convertible Bonds I is adjusted to reflect the fair value at the date of amendment of the terms and conditions and a fair value gain of approximately HK$86,762,000 has thus been recognised during the year ended 31 December 2014. The liability component of Convertible Bonds II is approximately HK$63,674,000, and its conversion option component of HK$51,981,000 is classified as equity instrument and recognised in the convertible bonds equity reserve.

The fair value of the liability component at the date of issue was calculated using discounted cash flow methodology.

34. CONVERTIBLE BONDS/EMBEDDED DERIVATIVES *(Continued)*

The fair values of the embedded derivatives at 29 December 2014 (date of amendment of the terms and conditions of Convertible Bonds I) was determined by reference to a valuation conducted by a firm of independent valuers using Binomial Option Pricing Model. The inputs and methodology used for the calculation of the fair values of the embedded derivatives were as follows:

Convertible Bonds II	29 December 2014
Share price	HK$0.43
Risk-free rate	0.13%
Time to maturity	1 year
Dividend yield	0%
Volatility	48.5%

35. WARRANTS

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

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

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

The Warrants were expired on 14 April 2015 and no share was subscribed through the exercise of the Warrants. A gain of approximately HK$79,000 arising from the change in fair value was charged to profit or loss for the year ended 31 December 2015 (2014: gain of approximately HK$3,861,000).

36. DEFERRED TAXATION

The following are the deferred tax (liabilities) assets recognised by the Group and movements thereon during the years ended 31 December 2015 and 2014:

	Inventories	Intangible asset	Convertible notes	Service concession arrangements	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2014	–	(5,128)	(422)	(1,353)	–	(6,903)
Exchange realignment	–	–	121	241	–	362
Arising on acquisition of a subsidiary (Note 39(b))	–	(7,125)	–	–	–	(7,125)
Release upon retirement of convertible notes	–	–	301	–	–	301
Credit to profit or loss	–	2,930	–	–	–	2,930
At 31 December 2014	–	(9,323)	–	(1,112)	–	(10,435)
Exchange realignment	–	–	–	1,607	–	1,607
Reclassified to asset classified as held for sale (Note 30)	–	–	–	(2,215)	–	(2,215)
Credit (charge) to profit or loss	10,225	3,522	–	(13,532)	639	854
At 31 December 2015	10,225	(5,801)	–	(15,252)	639	(10,189)

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

	2015	2014
	HK$'000	*HK$'000*
Deferred tax assets	**11,475**	–
Deferred tax liabilities	**(21,664)**	(10,435)
	(10,189)	(10,435)

The Group has unused tax losses of approximately HK$396,843,000 (2014: approximately HK$379,936,000) available for offset against future profits. The tax loss arising from PRC subsidiaries of approximately RMB212,220,000 (2014: RMB231,909,000) can be carried forward for five years and will be expired during 2016 to 2020 (2014: 2015 to 2019). Other tax losses may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$327,277,000 (2014: approximately HK$306,276,000) in respect of impairment loss recognised on trade receivables, deposits, prepayments and other receivables. No deferred tax assets has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2014, 31 December 2014 and 1 January 2015	6,000,000,000	600,000
Increase on 27 May 2015	9,000,000,000	900,000
At 31 December 2015	15,000,000,000	1,500,000
Issued and fully paid:		
At 1 January 2014	4,655,642,595	465,564
Issue of shares under redemption of convertible bonds (Note (a))	75,862,069	7,586
At 31 December 2014	4,731,504,664	473,150
Issue of shares under rights issue (Note (b))	4,731,504,664	473,150
Issue of shares under redemption of convertible bonds (Note (c))	290,148,962	29,015
At 31 December 2015	9,753,158,290	975,315

Note:

The following changes in the share capital of the Company took place during the years ended 31 December 2015 and 2014:

(a) During the year ended 31 December 2014, convertible bond with principal amount of HK$22,000,000 were converted into share capital (Note 34).

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

(c) During the year ended 31 December 2015, convertible bond with principle amount of approximately RMB61,512,000 were converted into share capital (Note 34).

38. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries HK$'000	Share of translation reserve HK$'000	Total HK$'000
At 1 January 2014	195,208	2,548	197,756
Share of profit for the year	5,737	–	5,737
Share of translation reserve for the year	–	(4,538)	(4,538)
Capital contribution from non-controlling interests of a subsidiary	2,404	–	2,404
Non-controlling interests arising on the acquisition of subsidiaries (see Note 39(b))	2,292	–	2,292
At 31 December 2014	205,641	(1,990)	203,651
Share of profit for the year	8,456	–	8,456
Share of translation reserve for the year	–	(3,776)	(3,776)
Capital contribution from non-controlling interests	13,755	–	13,755
Non-controlling interests arising on the acquisition of a subsidiary (see Note 39(a))	5,853	–	5,853
At 31 December 2015	233,705	(5,766)	227,939

39. ACQUISITION OF SUBSIDIARIES

(a) During the year ended 31 December 2015, one acquisition has been made and details are as follows:

A wholly owned subsidiary of the Company acquired 70% equity interest in Zhejiang Zhoushang, from independent third parties, for cash consideration of RMB17,500,000 (approximately HK$20,883,000 on 1 December 2015). Zhejiang Zhoushang is principally engaged in the treatment of kitchen waste. The acquisition has been accounted for using purchase method. The amount of goodwill as a result of acquisition was approximately HK$7,225,000.

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

	Total
	HK$'000
Property, plant and equipment	385
Inventories	49
Trade receivables	434
Prepaid lease payment	26,096
Deposits, prepayment and other receivables	38,050
Bank balances and cash	35
Trade payables	(242)
Other payables and accruals	(4,724)
Borrowings	(40,572)
	19,511

Goodwill arising on acquisition

	HK$'000
Consideration transferred	20,883
Non-controlling interest (30% in Zhejiang Zhoushang)	5,853
Net assets acquired	(19,511)
	7,225

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

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

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(a) *(Continued)*

Non-controlling interest

The non-controlling interests of 30% of Zhejiang Zhoushang recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of Zhejiang Zhoushang identifiable net assets and amounted to approximately HK$5,853,000.

	Total
	HK$'000
Net cash outflow on acquisition:	
Cash consideration paid	(5,967)
Bank balances and cash acquired	35
	(5,932)

During the year ended 31 December 2015, RMB5,000,000 (approximately HK$5,967,000) was paid to the vendors for the acquisition and the balance of RMB12,500,000 (approximately HK$14,916,000) was recognised in the other payables and accruals.

If the acquisition had been completed on 1 January 2015, total group revenue for the year would have been HK$840,920,000, and total group profit for the year ended 31 December 2015 would have been HK$28,903,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, nor is it intended to be a projection of future results.

(b) During the year ended 31 December 2014, three acquisitions have been made and details are as follows:

A wholly owned subsidiary of the Company acquired 95% equity interest in 安徽首創環境科技有限公司 (Anhui Capital Environmental Technology Company Limited*) (Formerly known as 安徽鑫港環保科技有限公司 Anhui Xin'gang Environmental Technology Company Limited*) ("Anhui Capital"), from independent third parties, for cash consideration of RMB27,740,000 (approximately HK$34,675,000 on 13 May 2014). Anhui Capital is principally engaged in the recycling and dismantling of waste electrical and electronic equipment.

A wholly owned subsidiary of the Company acquired 97.85% equity interest in Huizhou Guanghui from Richways Investment Management Limited and Huizhou Energy(s) Pte. Ltd., independent third parties, for cash consideration of RMB20,000,000 (approximately HK$25,000,000) and the Group has agreed to acquire the liabilities of Huizhou Guanghui amounted to RMB378,000,000 (approximately HK$472,500,000 on 1 July 2014).

A wholly owned subsidiary of the Company acquired 100% equity interest in Huludao Kangte, from independent third parties, for cash consideration of RMB3,650,000 (approximately HK$4,618,000 on 26 September 2014).

The acquisitions have been accounted for using purchase method. No goodwill arose from the acquisitions of Anhui Capital, Huizhou Guanghui and Huludao Kangte.

* *for identification purposes only*

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

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

	Anhui Capital HK$'000	Huizhou Guanghui HK$'000	Huludao Kangte HK$'000	Total HK$'000
Property, plant and equipment	15,125	287	180	15,592
Inventories	–	794	–	794
Trade receivables	–	15,407	–	15,407
Intangible assets	28,500	328,022	–	356,522
Amounts due from grantors for contract work	–	162,065	50,952	213,017
Deposits, prepayment and other receivables	–	1,262	45	1,307
Bank balances and cash	–	718	5	723
Trade payables	–	(89,003)	–	(89,003)
Other payables and accruals	–	(31,120)	(46,564)	(77,684)
Amount due to related parties of vendor	–	(127,659)	–	(127,659)
Amounts due to group companies	–	(50,320)	–	(50,320)
Borrowings	–	(188,750)	–	(188,750)
Deferred tax liabilities	(7,125)	–	–	(7,125)
	36,500	21,703	4,618	62,821

Non-controlling interest

The non-controlling interests of 5% of Anhui Capital and 2.15% of Huizhou Guanghui recognised at the acquisition date were measured by reference to the non-controlling interests' proportionate share of Anhui Capital and Huizhou Guanghui identifiable net assets and amounted to HK$1,825,000 and HK$467,000.

	Anhui Capital HK$'000	Huizhou Guanghui HK$'000	Huludao Kangte HK$'000	Total HK$'000
Net cash outflow on acquisition:				
Cash consideration paid	(34,675)	(25,000)	(4,618)	(64,293)
Bank balances and cash	–	718	5	723
	(34,675)	(24,282)	(4,613)	(63,570)

39. ACQUISITION OF SUBSIDIARIES *(Continued)*

(b) *(Continued)*

The Group loss for the period were contributed by (i) Anhui Capital's loss of approximately HK$656,000; (ii) Huizhou Guanghui's profit of approximately HK$6,158,000 and (iii) Huludao Kangte's profit of approximately HK$36,000 between the dates of acquisition and 31 December 2014.

If the acquisitions had been completed on 1 January 2014, total group loss for the year ended 31 December 2014 would have been HK$56,085,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the results of the operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2014, nor is it intended to be a projection of future results.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2015, a prepayment to a vendor of approximately HK$24,620,000,which was fully impaired in prior years, was recovered by way of 24% equity interest of the vendor (Note 9).

During the year ended 31 December 2015, construction revenue of approximately HK$250,957,000 (2014: approximately HK$505,360,000) was recognised in return for amounts due from grantors for contract work.

During the year ended 31 December 2015, SZ Yueneng declared dividend amounted to approximately HK$21,086,000 (2014: approximately HK$9,090,000) to the Group and the amount is recognised in amount due from an associate as at year end.

41. OPERATING LEASE COMMITMENT

The Group as lessee

	2015 ***HK$'000***	2014 *HK$'000*
The Group made rental payment for properties under operating lease as follows:		
Minimum lease payments	**11,098**	6,738

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

	2015 ***HK$'000***	2014 *HK$'000*
Within one year	**10,085**	8,189
In the second to fifth years	**10,738**	8,155
	20,823	16,344

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

42. CAPITAL COMMITMENT

	2015 **HK$'000**	2014 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of – construction work under service concession arrangements	**78,223**	182,515

43. OTHER COMMITMENT

On 24 November 2015, a wholly owned subsidiary of the Company entered into an equity transfer agreement with 廣東意高能源科技股份有限公司 (Guangdong Eacoon Energy Technology Corporation Limited*) ("Guangdong Eacoon") to acquire 60% equity interests of 高安意高再生資源熱力發電有限公司 (Gaoan Eacoon Renewable Resources for Thermal Power Generation Co. Ltd*). ("Gaoan Eacoon"), for a consideration of approximately HK$8,592,000 (RMB7,200,000). Gaoan Eacoon is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Gao An City under a BOT arrangement with a concessionary period of 30 years. As at 31 December 2015, a prepayment of approximately HK$2,387,000 (RMB2,000,000) was paid to Guangdong Eacoon. The share transfer procedures of Gaoan Eacoon has yet to be completed at 31 December 2015.

On 22 December 2015, a wholly owned subsidiary of the Company entered into an equity transfer agreement with 愛思環保科技有限公司 (Ai Si Environmental Technology Limited*) ("Ai Si") to acquire 51% equity interest of 江西瑞金愛思環保電力有限公司 (Jiangxi Ruijin Ai Si Environmental Electric Limited*) (the "Jiangxi Ruijin"), a subsidiary of Ai Si, for a consideration of approximately HK$60,859,000 (RMB51,000,000). Jiangxi Ruijin is responsible for building and operating a solid waste incineration and power generation project in Jiangxi Ruijin City under a BOT arrangement with a concessionary period of 30 years. As at 31 December 2015, a prepayment of approximately HK$17,693,000 (RMB15,000,000) was paid to Ai Si. The share transfer procedures of Jiangxi Ruijin has yet to be completed at 31 December 2015.

On 18 October 2011, a wholly owned subsidiary of the Company entered into a tender agreement with Guangzhou City Management Committee, a governmental authority and acted together with Guangdong Environmental Engineering & Equipment General Corporation to set up a project company with a registered capital of not less than approximately HK$116,790,000 (RMB97,870,000) (2014: approximately HK$122,338,000 (RMB97,870,000)) which is responsible for building and operating the Guangzhou Likeng Waste Treatment project under a BOT arrangement with a concessionary period of 25 years. 30% of the registered capital of the project company will be contributed by a wholly owned subsidiary of the Company. The tender agreement is still effective at 31 December 2015. The capital of the project company has yet to be registered at 31 December 2015.

At 31 December 2013, the Group is bounded by agreement to acquire the remaining equity interest at Duyun Kelin and Weng'an Kelin from Beijing Kelin Haohua Environment Technology Development Company Limited ("Haohua Environmental") with preliminary consideration of approximately HK$3,245,000 (2014: approximately HK$3,399,000) and approximately HK$5,008,000 (2014: approximately HK$5,246,000) respectively. The date of transfer has not yet been finalised.

* *for indentification purposes only*

44. CONTINGENT LIABILITIES

At 31 December 2015, the Group provided guarantees of approximately HK$30,279,000 (2014: approximately HK$11,891,000) to two banks in respect of banking facilities granted to an associate. The directors of the Company consider that the fair value of the financial guarantees at date of inception and at the end of the reporting period is insignificant.

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees.

The employees of the subsidiaries in the PRC are members of state-managed retirement benefits schemes operated by the PRC government. The relevant subsidiaries are required to make contributions to the state-managed retirement benefits schemes in the PRC based on certain percentages of the monthly salaries of their current employees to fund the benefits. The employees are entitled to retirement pension calculated with reference to their basic salaries on retirement and their length of service in accordance with the relevant government regulations. The PRC government is responsible for the pension liability to these retired staff. The only obligation of the Group costs respect to the retirement benefit schemes is to make the specified contributions.

The total expense recognised in profit or loss of HK$9,780,000 (2014: HK$5,845,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

46. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution of the shareholders of the Company and will expire on 14 June 2016. The purpose of the Scheme is to recognise the significant contributions of the eligible persons to the growth of the Group by rewarding them with opportunities to obtain the ownership interest in the Company and to further motivate and give incentives to those persons to continue to contribute to the Group's long term success and prosperity. Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Scheme became effective on 13 July 2006 (being the date of listing of the shares of the Company on the Stock Exchange).

At 31 December 2015, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil (2014: 2,703,288), representing 0% (2014: 0.06%) of the shares of the Company in issue at that date. The maximum number of shares which may be issued upon exercise of all outstanding share options must not exceed 30% of the issued share capital from time to time.

In addition, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue as at 13 July 2006, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days after the date of grant, upon payment of HK$1.0 per option. Options may be exercised at any time during the period as determined by the directors of the Company. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Details of specific categories of options are as follows:

Date of grant	**Number of options**	**Adjusted number of options** (Note)	**Vesting period**	**Exercise period**	**Exercise price**	**Adjusted exercise price** (Note)
6.9.2010	14,300,000	18,139,945	Nil	6.9.2010 to 5.9.2015	HK$0.501	HK$0.395

Note: The number of share options and exercise price have been adjusted upon the completion of the rights issue of shares of the Company with effect from 2 July 2015.

46. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2015:

Share options grant date	**Outstanding at 1.1.2015**	**Adjusted during the year**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding at 31.12.2015**
6.9.2010	**2,703,288**	**341,192**	**–**	**–**	**(3,044,480)**	**–**
	2,703,288	**341,192**	**–**	**–**	**(3,044,480)**	**–**
Exercisable at the end of the year	**–**					**–**
Weighted average exercise price	**HK$0.44**	**HK$0.40**	**N/A**	**N/A**	**HK$0.40**	**N/A**

The following table discloses movements of the Company's share options held by employees and directors during the year ended 31 December 2014:

Share options grant date	Outstanding at 1.1.2014	Adjusted during the year	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.12.2014
6.9.2010	2,703,288	–	–	–	–	2,703,288
	2,703,288	–	–	–	–	2,703,288
Exercisable at the end of the year	2,703,288					2,703,288
Weighted average exercise price	HK$0.44	N/A	N/A	N/A	N/A	HK$0.44

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

No expense is recognised for the year ended 31 December 2015 and 2014 in relation to share options granted by the Company.

47. RELATED PARTY TRANSACTIONS

During the year, in addition to the balances and transactions disclosed in Notes 28, 32, 33 and 34, the Group entered into the following significant transactions with related parties:

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

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

During the year ended 31 December 2015, Beijing Capital Group and one of its subsidiaries, Beijing Capital Investment & Guarantee Co., Ltd ("Beijing Capital Investment"), provided corporate guarantees to the Group. Handling charges of approximately HK$2,590,000 and HK$661,000 were paid to Beijing Capital Group and Beijing Capital Investment, respectively during 2015.

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

Name of the related parties	Nature of the transactions	2015 *HK$'000*	2014 *HK$'000*
Entity with significant influence over the Group:			
Beijing Capital (HK)	Interest expenses (Note)	**17,208**	26,340
	Rental expenses (Note)	**1,440**	1,300

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

Details of the outstanding balances with Beijing Capital (HK) are set out in Note 32.

On 26 November 2015, the Company entered into an acquisition agreement with BCG Chinastar International Investment Limited ("BCG"), a wholly owned subsidiary of Beijing Capital Group and Beijing Capital (HK) to acquire 51% of the issued share capital of BCG NZ Investment Holding Limited ("BCG NZ"). BCG NZ provides comprehensive waste management services, ranging from collection, recycling, waste disposal to hazardous and industrial waste treatment in New Zealand.

The consideration payable by the Company to pursuant to the acquisition agreement is approximately HK$1,783,000,000 (US$230,000,000), subject to adjustment (if any) based on the valuation of BCG NZ as at 31 December 2015 to be conducted by an independent valuer, and shall be satisfied by the allotment and issue of approximately 4,456,940,000 new shares ("Consideration Shares") (subject to adjustment) at an issue price of HK$0.40 per Consideration Share by the Company, credited as fully paid.

47. RELATED PARTY TRANSACTIONS *(Continued)*

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

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

The proposed acquisition constitutes a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules and is therefore subject to the reporting, announcement and shareholder's approval requirements under Chapter 14 of the Listing Rules. In addition, BCG and Beijing Capital (HK) are connected persons of the Company under the Listing Rules and the acquisition constitutes a connected transaction of the Company under Rule 14A.25 of the Listing Rules and is subject to the reporting, announcement and independent shareholder's approval requirements under Chapter 14A.25 of the Listing Rules.

As at 31 December 2015, the proposed acquisition on BCG NZ has not been completed.

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

During the year ended 31 December 2015 and 2014, the Group recognised revenue from the services under service concession agreement approximately to HK$391,217,000 and HK$618,014,000 under service concession arrangements with the local governments in PRC as disclosed in Note 21.

As at 31 December 2015 and 2014, the deposits paid for construction of infrastructure in service concession arrangements with the government related entity, Urban Construction Institute, are disclosed in Note 24.

As at 31 December 2015, trade receivable from government subsidies in relation to the licenses and franchises for the treatment of certain waste electric and electronic products (Note 26(a)) are approximately HK$301,456,000 (2014: approximately HK$208,038,000).

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

Apart from the transactions with related parties disclosed above, the Group also conducts business with other government-related entities. The directors of the Company consider those government-related entities are independent third parties so far as the Group's business transactions with them are concerned.

In establishing its pricing strategies and approval process for transactions with other government-related entities, the Group does not differentiate whether the counter-party is a government-related entity or not.

47. RELATED PARTY TRANSACTIONS *(Continued)*

(ii) The transactions and balances with non government-related entities which are related to the Group are listed below:

Name of the related parties	Nature of the transactions	2015 HK$'000	2014 HK$'000
Associate:			
SZ Yueneng	Interest income (Note)	**2,131**	1,264
	Dividend	**21,788**	9,124
A company owned by non-controlling interest of Jiangsu Subei: 淮安市財發擔保有限公司 (Huaian Caifa Guarantee Co., Ltd*) Loan Guarantee fee		**4,932**	–

Note: The interest was charged in accordance with the relevant loan agreements.

Details of the outstanding balances with SZ Yueneng is set out in Note 28.

(iii) The remuneration of key management personnel during the year was as follows:

	2015 HK$'000	2014 HK$'000
Short-term benefits	**6,509**	9,464
Post-employment benefits	**–**	–
	6,509	9,464

* *For identification purpose only*

48. PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2015	2014	Principal activities
Biomax Environmental Technology Limited	Hong Kong	Ordinary shares HK$100	**100%**	100%	Investment holding
Biomax Environmental Technology Germany GmbH (Note a)	Germany	Registered capital EUR25,000	**100%**	100%	Provision of procurement and consulting services
Win Concept Enterprises Limited	Hong Kong	Ordinary shares HK$100	**100%**	100%	Provision of technical services
NC Biomax GE (Note a)	PRC	Registered capital RMB209,000,000	**100%**	100%	Production and operating of factories for municipal solid waste treatment
Yangzhou Capital Investment Limited* 揚州首創投資有限公司 (Note a) (Formerly known as Yangzhou Capital Solid Investment Limited* 揚州首拓投資有限公司)	PRC	Registered capital US$55,000,000	**100%**	100%	Provision of technical services
Beijing Capital Environment Investment Limited* 北京首創環境投資有限公司 ("Beijing Capital Environment") (Formerly known as Beijing Capital Solid Environmental Energy Investment Limited* 北京首拓環能投資有限公司) (Note a)	PRC	Registered capital RMB1,404,000,000	**100%**	100%	Provision of technical services
Biomax Environmental Technology (Shanghai) Company Limited* 百瑪士環保科技(上海)有限公司 (Note a)	PRC	Registered capital US$5,400,000	**100%**	100%	Provision of consulting services
BJ Yiqing Biomax (Note d)	PRC	Registered capital RMB93,689,400	**60%**	60%	Municipal solid waste recycling treatment

* *for identification purposes only*

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	Place of incorporation/ registration	Issued and fully paid up share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital indirectly held by the Company 2015	2014	Principal activities
Duyun Kelin (Note a)	PRC	Registered capital RMB40,000,000	**91.75%**	91.75%	Municipal solid waste treatment
Weng'an Kelin (Note a)	PRC	Registered capital RMB21,000,000	**80%**	80%	Municipal solid waste treatment
Jiangsu Subei	PRC	Registered capital RMB216,000,000	**55%**	55%	Recycle and disassemble waste electrical and electronic equipment
Xinxiang Capital Solid Environmental Energy Limited* 新鄉市首拓環保能源有限公司	PRC	Registered capital RMB20,000,000	**70%**	70%	Production and operating of factories for municipal solid waste treatment
Anhui Capital (Note b)	PRC	Registered capital RMB80,000,000	**95%**	95%	Recycle and disassemble waste electrical and electronic equipment
Huizhou Guanghui (Note b)	PRC	Registered capital RMB245,600,000	**97.85%**	97.85%	Waste treatment and waste-to-energy generation project
Huludao Kangte (Note b)	PRC	Registered capital RMB40,000,000	**100%**	100%	Municipal solid waste treatment
Zhejiang Zhoushang (Note c)	PRC	Registered capital RMB60,000,000	**70%**	N/A	Recycle and waste treatment

Notes:

(a) These companies are wholly owned foreign enterprises.

(b) The companies were acquired by the Group during the year ended 31 December 2014.

(c) The company was acquired by the Group during the year ended 31 December 2015.

(d) The assets and liabilities attributable to BJ Yiqing Biomax, which are expected to be disposed within twelve months, have been classified as assets held of sale and presented separately in the consolidated statement of financial position as at 31 December 2015. For details, please refer to Note 30.

* *for identification purposes only*

48. PRINCIPAL SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and operations	Proportion of equity interest and voting rights held by non-controlling interests	Profit allocated to non-controlling interests		Accumulated non-controlling interests	
			2015 **HK$'000**	2014 HK$'000	**2015** **HK$'000**	2014 HK$'000
BJ Yiqing Biomax	PRC	40%	**(6,876)**	782	**56,997**	65,890
Jiangsu Subei	PRC	45%	**14,117**	1,982	**125,962**	112,458
Individually immaterial subsidiaries with non-controlling interests			**1,215**	2,973	**44,980**	25,303
			8,456	5,737	**227,939**	203,651

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

BJ Yiqing Biomax

	2015 **HK$'000**	2014 HK$'000
Current assets	**15,975**	25,137
Non-current assets	**287,741**	286,835
Current liabilities	**(122,078)**	(88,041)
Non-current liabilities	**(82,007)**	(101,729)
Equity attributable to owners of the Company	**59,779**	73,321
Non-controlling interests	**39,852**	48,881

48. PRINCIPAL SUBSIDIARIES *(Continued)*

BJ Yiqing Biomax *(Continued)*

	2015	2014
	HK$'000	*HK$'000*
Revenue	**33,974**	92,968
Expenses	**(51,165)**	(91,014)
(Loss) profit for the year	**(17,191)**	1,954
(Loss) profit attributable to owners of the Company	**(10,315)**	1,172
(Loss) profit attributable to the non-controlling interests	**(6,876)**	782
(Loss) profit for the year	**(17,191)**	1,954
Other comprehensive (expense) income attributable to owners of the Company	**(3,228)**	1,112
Other comprehensive (expense) income attributable to the non-controlling interests	**(2,152)**	742
Other comprehensive income for the year	**(5,380)**	1,854
Total comprehensive (expense) income attributable to owners of the Company	**(13,543)**	2,284
Total comprehensive (expense) income attributable to the non-controlling interests	**(9,028)**	1,524
Total comprehensive (expense) income for the year	**(22,571)**	3,808
Net cash outflows from operating activities	**(7,706)**	(112,553)
Net cash (outflows) inflows from financing activities	**(18)**	92,724
Net cash (outflows) inflows from investing activities	**(789)**	5,999
Net cash outflows	**(8,513)**	(13,830)

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Jiangsu Subei

	2015 *HK$'000*	2014 *HK$'000*
Current assets	**208,659**	221,710
Non-current assets	**110,019**	112,477
Current liabilities	**(63,143)**	(94,310)
Non-current liabilities	**(46,039)**	(48,226)
Equity attributable to owners of the Company	**115,223**	105,408
Non-controlling interests	**94,273**	86,243

48. PRINCIPAL SUBSIDIARIES *(Continued)*

Jiangsu Subei *(Continued)*

	2015	2014
	HK$'000	*HK$'000*
Revenue	**253,674**	287,841
Expenses	**(222,303)**	(283,437)
Profit for the year	**31,371**	4,404
Profit attributable to owners of the Company	**17,254**	2,422
Profit attributable to the non-controlling interests	**14,117**	1,982
Profit for the year	**31,371**	4,404
Other comprehensive (expense) income attributable to owners of the Company	**(750)**	441
Other comprehensive (expense) income attributable to the non-controlling interests	**(614)**	360
Other comprehensive (expense) income for the year	**(1,364)**	801
Total comprehensive income attributable to owners of the Company	**16,504**	2,863
Total comprehensive income attributable to the non-controlling interests	**13,503**	2,342
Total comprehensive income for the year	**30,007**	5,205
Net cash inflows from operating activities	**22,047**	9,150
Net cash outflows from financing activities	**(11,009)**	(129,454)
Net cash outflows from investing activities	**(22,467)**	(10,730)
Net cash outflows	**(11,429)**	(131,034)

49. EVENT AFTER THE REPORTING PERIOD

On 29 January 2016, two of the subsidiaries, 南陽首創環境科技有限公司 (Nanyang Capital Environment Technology Limited*) and Beijing Capital Environment entered into a concession agreement with 南陽市住房和城鄉建設委員會 (Nanyang Municipal Housing and Urban-Rural Construction Commission*). The subsidiaries were granted the concession of an integrated project of township solid waste collection, transfer and treatment in Henan at a consideration of approximately HK$245,292,600 (RMB207,875,100).

50. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	NOTES	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**100**	126
Amounts due from subsidiaries		**1,962,567**	825,624
Investments in subsidiaries		**209,576**	209,576
		2,172,243	1,035,326
CURRENT ASSETS			
Deposit, prepayment and other receivables		**291**	398
Bank balances and cash		**214,568**	103,208
		214,859	103,606
CURRENT LIABILITIES			
Other payables and accruals		**4,632**	23,629
Borrowings		**–**	804,000
Warrants		**–**	79
Convertible bonds	34	**–**	63,674
		4,632	891,382
NET CURRENT ASSETS (LIABILITIES)		**210,227**	(787,776)
		2,382,470	247,550
CAPITAL AND RESERVES			
Share capital	37	**975,315**	473,150
Reserves (Note)		**1,407,155**	(225,600)
TOTAL EQUITY		**2,382,470**	247,550

The Company's statement of financial position was approved and authorised for issue by the board of directors on 14 March 2016 and is signed on its behalf by:

WANG HAO DIRECTOR	CAO GUOXIAN DIRECTOR

* *For identification purpose only*

50. SUMMARY FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Note: Movement in reserves

	Share premium HK$'000	Share option reserve HK$'000	Convertible bonds equity reserve HK$'000	Convertible notes equity reserve HK$'000 (Note 33)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014	1,966,372	98	–	141	(2,310,530)	(343,919)
Profit for the year	–	–	–	–	27,912	27,912
Total comprehensive income for the year	–	–	–	–	27,912	27,912
Conversion of convertible bonds (Note 34)	38,567	–	–	–	–	38,567
Issuance of convertible bonds (Note 34)	–	–	51,981	–	–	51,981
Redemption on convertible notes (Note 33)	–	–	–	(141)	–	(141)
At 31 December 2014	2,004,939	98	51,981	–	(2,282,618)	(225,600)
Loss for the year	–	–	–	–	(50,810)	(50,810)
Total comprehensive expense for the year	–	–	–	–	(50,810)	(50,810)
Rights issue (Note 37)	1,656,027	–	–	–	–	1,656,027
Share issuance expenses	(15,479)	–	–	–	–	(15,479)
Conversion of convertible bonds (Note 34)	94,998	–	(51,981)	–	–	43,017
Lapse of share option (Note 46)	–	(98)	–	–	98	–
At 31 December 2015	3,740,485	–	–	–	(2,333,330)	1,407,155

FINANCIAL SUMMARY

	For the year ended 31 December				
	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	**2015** ***HK$'000***
RESULTS					
Revenue (continuing and discontinued operation)	49,001	17,609	282,441	963,608	**838,138**
(Loss) profit attributable to owners of the Company	(325,504)	(147,054)	(124,370)	(68,266)	**23,518**

	As at 31 December				
	2011 *HK$'000*	2012 *HK$'000*	2013 *HK$'000*	2014 *HK$'000*	**2015** ***HK$'000***
ASSETS AND LIABILITIES					
Total assets	681,121	1,057,327	2,112,924	2,992,120	**4,191,810**
Total liabilities	(618,391)	(1,006,110)	(1,433,420)	(2,299,580)	**(1,364,865)**
	62,730	51,217	679,504	692,540	**2,826,945**
Equity attributable to owners of the Company	81,438	60,748	481,748	488,889	**2,599,006**
Non-controlling interests	(18,708)	(9,531)	197,756	203,651	**227,939**
	62,730	51,217	679,504	692,540	**2,826,945**

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