THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in **Hailiang International Holdings Limited**, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

HAILIANG INTERNATIONAL HOLDINGS LIMITED

海 亮 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2336)

MAJOR TRANSACTION
SUBSCRIPTION OF JINJIANG SHARES

25 October 2016

CONTENTS

In this circular, the following expressions have the meanings set out below unless the context otherwise requires:

"associates"	has the meaning ascribed to it under the Listing Rules
"AUD"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"business day"	a day (not being a Saturday, Sunday or public holiday) on which banks are open for general banking business in Hong Kong and the PRC
"China Jinjiang"	China Jinjiang Environment Holding Company Limited (中國錦江環境控股有限公司), an exempted company incorporated in the Cayman Islands on 8 September 2010 with limited liability
"China Jinjiang Offering"	the placement and the public offer of the Jinjiang Shares pursuant to the Prospectus
"Company"	Hailiang International Holdings Limited (海亮國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Subscription
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hailiang Group"	Hailiang Group Co., Ltd# (海亮集團有限公司), the sole shareholder of Rich Pro, a controlling shareholder of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party/Parties"	a person or persons which is or are independent of, and not connected with, any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associate(s)
"Jinjiang Share(s)"	ordinary share(s) in the share capital of China Jinjiang
"Latest Practicable Date"	21 October 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Model Code"	the Mode Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"percentage ratios"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of China Jinjiang dated 25 July 2016
"Rich Pro"	Rich Pro Investments Limited (富邦投資有限公司), a company incorporated in the British Virgin Islands with limited liability on 2 January 2014, the controlling shareholder of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"S$"	Singapore dollars, the lawful currency of Singapore
"Sable International"	Sable International Limited (思寶國際有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGX-ST"	the Singapore Exchange Securities Trading Limited
"Share(s)"	the ordinary share(s) of a nominal par value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription of 21,431,000 Jinjiang Shares by Sable International
"subsidiary" or "subsidiaries"	has the meaning ascribed to it under the Listing Rules
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules
"Target Group"	the group of companies consisting of China Jinjiang and its subsidiaries as set out in the Prospectus
"Underwriter"	the underwriter of the China Jinjiang Offering, an Independent Third Party
"%"	per cent

For the purposes of this circular, the exchange rate of S$1.00 = HK$5.70 has been used, where applicable, for illustrative purposes only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rate or any other rate or at all on the date or dates in question or any other date.

\# *An English translation of the Chinese company name and is for identification purposes only*

HAILIANG INTERNATIONAL HOLDINGS LIMITED
海亮國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2336)

Non-executive Director:
Mr. Feng Hailiang (馮海良先生) *(Chairman)*

Executive Directors:
Mr. Cao Jianguo (曹建國先生) *(Chief Executive Officer)*
Mr. Zhou Diyong (周迪永先生)
Ms. Ji Danyang (季丹陽女士)

Independent Non-executive Directors:
Mr. Chang Tat Joel
Mr. Ho Gilbert Chi Hang
Mr. Tsui Kun Lam Ivan

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong:
Unit 1506A, Level 15
International Commerce Center
1 Austin Road West, Kowloon
Hong Kong

25 October 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
SUBSCRIPTION OF JINJIANG SHARES

INTRODUCTION

Reference is made to the announcement of the Company dated 25 July 2016. On 25 July 2016 (after trading hours), Sable International, an indirect wholly-owned subsidiary of the Company, applied for the subscription of 21,431,000 Jinjiang Shares at the aggregate subscription price of S$19,287,900 (equivalent to approximately HK$109,941,030). On 3 August 2016, 21,431,000 Jinjiang Shares were allocated and credited to Sable International.

The Subscription (together with the brokerage paid to the Underwriter in relation to the Subscription) constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders nor any of their respective associates is required to abstain from voting if the Company were to convene a general meeting for the approval of the Subscription. In lieu of convening a general meeting, the Company has obtained the written approval from Rich Pro, which held 1,207,207,299 Shares, representing approximately 74.93% of the issued share capital of the Company as at the Latest Practicable Date, approving the Subscription pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting was convened in this regard.

The purpose of this circular is to provide you with (i) further information regarding the Subscription and the transaction contemplated under it; and (ii) other information as required under the Listing Rules.

THE SUBSCRIPTION

Date

25 July 2016

Parties

(1) Sable International, as the subscriber; and

(2) China Jinjiang, as the issuer.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, China Jinjiang and its ultimate beneficial owners are Independent Third Parties.

Subject matter

Sable International applied for the subscription of 21,431,000 Jinjiang Shares at the aggregate subscription price of S$19,287,900 (equivalent to approximately HK$109,941,030) through the Underwriter, an Independent Third Party.

Subscription price

Based on the subscription price of S$0.90 (equivalent to approximately HK$5.13) per Jinjiang Share, the aggregate subscription price for the 21,431,000 Jinjiang Shares paid by the Group upon application on 25 July 2016 was S$19,287,900 (equivalent to approximately HK$109,941,030). The subscription price was settled by the Group in cash in Singapore dollars and was financed by the Group's internal financial resources and part of the proceeds from the Open Offer (as defined in the Company's announcement dated 15 May 2015).

The subscription price is equivalent to the offering price in the China Jinjiang Offering. As disclosed in the Prospectus, the offering price in the China Jinjiang Offering was determined following a book-building process by agreement between China Jinjiang and the Underwriter.

Completion

Completion of the Subscription is conditional upon (i) the approval by the Shareholders in accordance with the Listing Rules; and (ii) the granting by the SGX-ST of its approval to deal in and for quotation of the Jinjiang Shares on the official list of the SGX-ST.

In lieu of convening a general meeting, the Company has obtained the written approval from Rich Pro, which held 1,207,207,299 Shares, representing approximately 74.93% of the issued share capital of the Company as at the Latest Practicable Date, approving the Subscription pursuant to Rule 14.44 of the Listing Rules.

The dealing and quotation of the Jinjiang Shares on the SGX-ST commenced on 3 August 2016.

On 3 August 2016, (i) all conditions under the Subscription had been fulfilled; and (ii) 21,431,000 Jinjiang Shares at the aggregate subscription price of S$19,287,900 (equivalent to approximately HK$109,941,030) were allocated and credited to Sable International.

Immediately before Completion, the Group did not hold any Jinjiang Shares. Immediately upon Completion, the Group held 21,431,000 Jinjiang Shares, representing approximately 1.78% of the total issued share capital of China Jinjiang following completion of the China Jinjiang Offering (assuming that the over-allotment option in connection with the China Jinjiang Offering (the "**Over-allotment Option**") is not exercised). The Over-allotment Option was partially exercised on 1 September 2016. As at the Latest Practicable Date, the Group held approximately 1.76% of the total issued share capital of China Jinjiang (after taking into account of the partial exercise of the Over-allotment Option).

Lock-up

The 21,431,000 Jinjiang Shares subscribed by Sable International under the Subscription are not subject to any lock-up restrictions. Sable International is entitled to dispose of any of the Jinjiang Shares at any time.

REASONS AND BENEFITS OF THE SUBSCRIPTION

The business activities of the Group are diversified. The principal activities of the Group are the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solution products business and the property development business.

Due to the continuously increasing competition in the electronic industry and the slowdown of economic growth in the PRC, the electronic industry in general was negatively affected. As disclosed in the 2015 annual report of the Company, it is the Group's business strategy to select attractive investment opportunities to strengthen and extend its business scope and to maintain prudent and disciplined financial management to ensure its sustainability.

The Directors are optimistic about the prospects of the waste-to-energy industry, which mainly includes waste incineration and power generation in which municipal solid waste is burned at high temperature where the heat energy generated during burning is transformed to high temperature steam to initiate the rotation of turbines for power generation, in the PRC. Having considered the recent strong financial performance and business development of China Jinjiang as disclosed in the Prospectus, the Directors believe that the Subscription is an attractive investment and will enable the Company to generate sustainable and attractive returns for the Shareholders.

The Directors (including the independent non-executive Directors) consider that the Subscription was made on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON CHINA JINJIANG

China Jinjiang is an exempted company incorporated in the Cayman Islands on 8 September 2010 with limited liability. China Jinjiang was listed on the Mainboard of the SGX-ST on 3 August 2016.

The Target Group is mainly engaged in the generation and sale of electricity and steam, operation of waste-to-energy plants and the provision of project technical and management services and energy management contracting services. Based on the Prospectus, China Jinjiang is the first private waste-to-energy operator in the PRC and the leading waste-to-energy operator in the PRC with the largest waste treatment capacity in operation.

FINANCIAL INFORMATION OF CHINA JINJIANG

Based on the Prospectus, the consolidated financial results of China Jinjiang prepared in accordance with the International Financial Reporting Standards for the two years ended 31 December 2014 and 31 December 2015 are as follows:

	For the year ended 31 December 2014	For the year ended 31 December 2015
	RMB'000	*RMB'000*
	(audited)	(audited)
Profit before tax	452,322	582,699
Profit for the year from continuing operations after tax	325,920	405,630

	As at 31 December 2014	As at 31 December 2015
	RMB'000	*RMB'000*
	(audited)	(audited)
Net assets	2,815,374	3,121,750

EFFECT OF EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

After the Completion, the Jinjiang Shares are/will be recorded as available-for-sale financial assets, and are/will be measured at fair values at the end of each reporting period.

After the Completion, the total assets of the Group stayed the same, since the Group settled the Subscription by its bank and cash balances.

The total liabilities of the Group remained unchanged as the Subscription was financed by internal resource only.

The Jinjiang Shares are/will be measured at fair value at the end of each reporting period, therefore any changes in fair value and dividend income will be recognised in other comprehensive income and profit or loss, respectively. The Group's financial results may be impacted by any fluctuation of the share price of China Jinjiang or any future dividend to be declared by China Jinjiang.

INFORMATION ON THE GROUP

The principal activities of the Group are the sale of metals and semiconductors and related products business, the development and provision of electronic turnkey device solution products business and the property development business.

INFORMATION ON SABLE INTERNATIONAL

Sable International is a company incorporated in Hong Kong with limited liability. Sable International is an indirect wholly-owned subsidiary of the Company. The principal business activities of Sable International include metal trading and investment holding.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratio(s) under the Listing Rules in respect of the transactions contemplated under the Subscription (together with the brokerage paid to the Underwriter in relation to the Subscription) exceeds 25% but is less than 100%, the Subscription (together with the brokerage paid to the Underwriter in relation to the Subscription) constitutes a major transaction for the Company under the Listing Rules and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders nor any of their respective associates is required to abstain from voting if the Company were to convene a general meeting for the approval of the Subscription.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby a Shareholder has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his/her/its Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there exists no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right if the Company were to convene a general meeting for the approval of the Subscription.

In lieu of convening a general meeting, the Company has obtained the written approval from Rich Pro, which held 1,207,207,299 Shares, representing approximately 74.93% of the issued share capital of the Company as at the Latest Practicable Date, approving the Subscription pursuant to Rule 14.44 of the Listing Rules. Accordingly, no general meeting was convened in this regard.

As at the date of the written approval, Rich Pro was entitled to exercise and control the right to attend and vote at the general meeting to approve the Subscription.

WAIVERS FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) AND CHAPTER 4 OF THE LISTING RULES

Background

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on the Target Group prepared in accordance with Chapter 4 of the Listing Rules. The accounts on which such report is based must relate to a financial period ended six months or less before this circular is issued, and the financial information on the Target Group must be prepared using accounting policies which should be materially consistent with those of the Company. In this regard, the Company is required under Chapter 4 of the Listing Rules to include an accountants' report on the Target Group with the financial information of the Target Group for the three financial years ended 31 December 2015 and a stub period of six months ended 30 June 2016 prepared under the Hong Kong Financial Reporting Standards.

Waiver Sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules on the following grounds:

(a) China Jinjiang had not/will not become a subsidiary of the Company. As at the Latest Practicable Date, the Company was a minority shareholder of China Jinjiang, holding approximately 1.76% of the issued share capital of China Jinjiang;

(b) the Group subscribed for the Jinjiang Shares during the China Jinjiang Offering. Similar to the other investors in the China Jinjiang Offering, the Group did not have access to the non-public information of the Target Group required to prepare an accountants' report on the Target Group. Strict compliance with the accountants' report requirement under the Listing Rules by the Company would be impractical;

(c) China Jinjiang published its audited consolidated financial statements for the financial years ended 31 December 2013, 2014 and 2015 prepared in accordance with International Financial Reporting Standards (the "**Audited Financial Statements**") in the Prospectus. Deloitte & Touche LLP is the independent auditors and reporting accountant of China Jinjiang;

(d) China Jinjiang published its unaudited consolidated financial statements for the second quarter and half year ended 30 June 2016 in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (the "**Unaudited Financial Statements**"). The Unaudited Financial Statements were published by China Jinjiang in accordance with the listing manual of the SGX-ST on 26 August 2016;

(e) China Jinjiang is listed on the SGX-ST and its financial disclosures in the Audited Financial Statements and the Unaudited Financial Statements were subject to compliance with the requirements under the listing manual of the SGX-ST;

(f) the accounting standards which the Audited Financial Statements and the Unaudited Financial Statements were based on are the recognition and measurement criteria of the International Financial Reporting Standards, which meet the requirement under Rule 4.11 of the Listing Rules. ZHONGHUI ANDA CPA Limited, the Company's auditor, has confirmed that there would be no material difference if the Audited Financial Statements and the Unaudited Financial Statements were prepared under Hong Kong Financial Reporting Standards; and

(g) the Audited Financial Statements and the Unaudited Financial Statements will provide relevant, meaningful and reliable information on the financial position of the Target Group for the relevant financial periods. The preparation of an accountants' report on the Target Group for inclusion in the circular of the Company in strict compliance with the requirement of Rule 14.67(6)(a)(i) of the Listing Rules would be impractical, unduly burdensome and would result in unnecessary time and effort being incurred that may not add much value to the Shareholders in understanding the financial position of the Target Group.

Alternative Disclosure

The Company has included the following information in this circular as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules:

(a) the published audited financial statements of the Target Group for the financial years ended 31 December 2013, 2014 and 2015 as disclosed in the Prospectus; and

(b) the unaudited consolidated financial statements of the Target Group for the second quarter and half year ended 30 June 2016, which were published by China Jinjiang in accordance with the listing manual of the SGX-ST on 26 August 2016.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange granted the waiver from strict compliance with Rule 14.67(6)(a)(i) regarding certain disclosures under Chapter 4 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription and the transactions contemplated under it are fair and reasonable and on normal commercial terms, and in the interest of the Group and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the resolution in relation to the Subscription and the transactions contemplated under it if the Company were to convene a general meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the further information contained in the appendices to this circular.

Yours faithfully,
For and on behalf of
Hailiang International Holdings Limited
Feng Hailiang 馮海良
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (http://www.hailianghk.com):

- the Company's annual report for the year ended 31 December 2013 (pages 27 to 79);
- the Company's annual report for the year ended 31 December 2014 (pages 35 to 87); and
- the Company's annual report for the year ended 31 December 2015 (pages 43 to 100).

2. INDEBTEDNESS

At the close of business on 31 August 2016, being the date of this indebtedness statement prior to the printing of this circular, apart from (i) the Group's obligations under finance leases amounted to HK$201,000, which was denominated in Australian dollars with fixed interest rate, unguaranteed, but secured by a motor vehicle of the Group; (ii) intra-group liabilities; and (iii) normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, and hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

To the best knowledge of the Directors, having made all reasonable enquiries, there had been no material change in the indebtedness or contingent liabilities of the Group since 31 August 2016.

3. WORKING CAPITAL STATEMENT

Taking into account of the financial resources available to the Group, including internally generated funds and available facilities of the Group, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group has been managing its sale of semiconductors and related products and development and provision of electronic turnkey device solution products businesses prudently in view of the slowdown of economic growth in the PRC which has posed negative impact on the electronic industry in general. In the light of the competitive business environment in which the Group is operating, the Group's senior management continuingly strives to sharpen the competitive advantages of its electronic products by further cutting down the costs with improved qualities and manoeuvres to secure profitable trading opportunities. Meanwhile, the Group is contemplating metal trading arrangements with various business partners to strengthen business ties with them. At the same time, the Group's property development business has been growing smoothly and in addition to the acquisition of a piece of land in Australia in 2015, the Board is also considering some other property projects in Sydney, Australia with good development potential with the view to enhance growth prospect of the Group and generate return to the Shareholders. Lastly, the Board is also looking for opportunities to improve the Group's capital structure so as to support a healthy development of the Group's business in the long term.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As disclosed in the section headed "Letter from the Board – Waivers from strict compliance with Rule 14.67(6)(a)(i) and Chapter 4 of the Listing Rules" of this circular, the Company has applied to the Stock Exchange for, and has been granted, a waiver from strict compliance with the requirements to produce an accountants' report on the Target Group under Rule 14.67(6)(a)(i) of the Listing Rules.

This circular contains (i) a copy of the independent auditors' report on the consolidated financial statements of China Jinjiang for the financial years ended 31 December 2013, 2014 and 2015 prepared by Deloitte & Touche LLP, the independent auditors and reporting accountant of China Jinjiang, extracted from the Prospectus; and (ii) the unaudited consolidated financial statements of China Jinjiang for the second quarter and half year ended 30 June 2016 published by China Jinjiang on 26 August 2016 in accordance with the listing manual of the SGX-ST.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF CHINA JINJIANG FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

25 July 2016

The Board of Directors
China Jinjiang Environment Holding Company Limited
Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of China Jinjiang Environment Holding Company Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"). The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2013, 2014 and 2015 and the related consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years ended 31 December 2013 and 2014 and 2015 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory notes, as set out on pages A-3 to A-68.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 management, 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 of the Group are properly drawn up in accordance with the International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013, 2014 and 2015 and of the results, changes in equity and cash flows of the Group for the Relevant Periods.

Restriction on Distribution and Use

This report has been prepared solely in connection with the proposed listing of the Company's shares on the Main Board of Singapore Exchange Securities Trading Limited and for no other purposes. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Public Accountants and
Chartered Accountants
Singapore

Ernest Kan Yaw Kiong
Partner

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

	Notes	**Year ended 31 December** **2013** *RMB'000*	**2014** *RMB'000*	**2015** *RMB'000*
Continuing operations				
Revenue	7	1,276,724	1,269,657	1,588,139
Cost of sales		(820,486)	(648,777)	(842,266)
Gross profit		456,238	620,880	745,873
Other income and other gains and losses	8	16,631	50,744	95,145
Administrative expenses		(107,874)	(135,585)	(134,239)
Finance costs	9	(73,257)	(83,717)	(124,080)
Profit before tax		291,738	452,322	582,699
Income tax expense	10	(59,395)	(126,402)	(177,069)
Profit for the year from continuing operations	11	232,343	325,920	405,630
Discontinued operation				
Profit for the year from discontinued operation	12	51,295	37,029	–
Profit and total comprehensive income for the year		283,638	362,949	405,630
Profit and total comprehensive income for the year attributable to owners of the Company				
– from continuing operations		232,527	328,973	404,609
– from discontinued operation		44,704	32,271	–
		277,231	361,244	404,609
Profit and total comprehensive income for the year attributable to non-controlling interests				
– from continuing operations		(184)	(3,053)	1,021
– from discontinued operation		6,591	4,758	–
	32	6,407	1,705	1,021
Earnings per share from continuing operations:				
– Basic and Diluted (RMB cents)	13	23.2	32.9	40.5
Earnings per share from continuing and discontinued operations:				
– Basic and Diluted (RMB cents)	13	27.7	36.1	40.5

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013, 2014 AND 2015

		At 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	14	3,484,562	3,954,511	4,488,220
Prepaid leases	15	238,786	242,413	251,595
Intangible assets	16	494,708	507,507	687,250
Investment in an associate	17	–	–	43,804
Service concession receivables	18	118,318	127,874	171,668
Other receivables	20	10,000	–	55,995
Total non-current assets		4,346,374	4,832,305	5,698,532
Current assets				
Inventories	19	53,083	36,758	35,065
Prepaid leases	15	9,808	10,132	10,843
Service concession receivables	18	–	7,425	14,850
Trade and other receivables	20	458,093	441,222	408,478
Other tax recoverable	21	58,350	73,032	72,380
Amounts due from related parties	37	647,174	402,435	355,225
Amounts due from non-controlling interests	32	8,012	9,889	11,350
Pledged bank deposits	22	70,000	45,000	–
Bank balances and cash	22	164,545	220,111	353,641
		1,469,065	1,246,004	1,261,832
Assets classified as held for sale	23	24,557	–	–
Total current assets		1,493,622	1,246,004	1,261,832
Total assets		5,839,996	6,078,309	6,960,364
Current liabilities				
Trade and other payables	24	459,708	580,609	574,108
Amounts due to related parties	37	1,069,510	496,081	43,761
Amounts due to non-controlling interests		63	–	–
Income tax liabilities		41,885	77,846	93,027
Other tax liabilities	25	16,896	22,005	29,878
Dividends payable	28	10,685	9,283	1,397
Borrowings	26	629,389	843,542	534,388
Obligations under finance leases	27	55,121	–	115,931
Deferred grant	30	2,628	1,966	33,484
Total current liabilities		2,285,885	2,031,332	1,425,974
Net current liabilities		(792,263)	(785,328)	(164,142)
Total assets less current liabilities		3,554,111	4,046,977	5,534,390

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		At 31 December		
	Notes	**2013**	**2014**	**2015**
		RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities				
Borrowings	26	519,023	1,029,504	1,671,246
Obligations under finance leases	27	–	–	443,712
Deferred tax liabilities	29	147,946	160,718	203,611
Deferred grant	30	41,302	37,541	86,175
Provision for major overhauls	18	3,840	3,840	7,896
Total non-current liabilities		712,111	1,231,603	2,412,640
Net assets		2,842,000	2,815,374	3,121,750
Capital and reserves				
Share capital	31	67	67	67
Reserves		2,558,883	2,537,325	2,943,899
Equity attributable to owners of the Company		2,558,950	2,537,392	2,943,966
Non-controlling interests	32	283,050	277,982	177,784
Total equity		2,842,000	2,815,374	3,121,750

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

	Attributable to owners of the Company							
	Share capital *RMB'000*	Capital reserve *RMB'000* *(Note i)*	Merger reserves *RMB'000* *(Note ii)*	Statutory surplus reserve *RMB'000* *(Note iii)*	Retained earnings *RMB'000*	Subtotal *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2013	67	458,241	1,144,118	16,069	655,731	2,274,226	281,931	2,556,157
Profit and total comprehensive income for the year	–	–	–	–	277,231	277,231	6,407	283,638
Transactions with owners, recognised directly in equity								
Capital contribution from owners	–	7,493	–	–	–	7,493	–	7,493
Appropriation to reserves	–	–	–	3,188	(3,188)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(5,288)	(5,288)
At 31 December 2013	67	465,734	1,144,118	19,257	929,774	2,558,950	283,050	2,842,000
Profit and total comprehensive income for the year	–	–	–	–	361,244	361,244	1,705	362,949
Transactions with owners, recognised directly in equity								
Arising from group reorganisation	–	748,000	(1,198,000)	–	–	(450,000)	–	(450,000)
Capital contribution from owners	–	30,000	–	–	–	30,000	–	30,000
Deemed capital contribution from owners	–	37,198	–	–	–	37,198	–	37,198
Dividends paid to non-controlling interests	–	–	–	–	–	–	(6,773)	(6,773)
At 31 December 2014	67	1,280,932	(53,882)	19,257	1,291,018	2,537,392	277,982	2,815,374
Profit and total comprehensive income for the year	–	–	–	–	404,609	404,609	1,021	405,630
Transactions with owners, recognised directly in equity								
Disposal of partial equity interest in a subsidiary	–	1,965	–	–	–	1,965	35	2,000
Liquidation of a subsidiary *(Note iv)*	–	(139,238)	–	(19,257)	158,495	–	(94,087)	(94,087)
Appropriation to reserves	–	–	–	31,488	(31,488)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(7,167)	(7,167)
At 31 December 2015	67	1,143,659	(53,882)	31,488	1,822,634	2,943,966	177,784	3,121,750

Notes:

(i) Capital reserves represent capital contribution in excess of the authorised share capital for respective Group entities.

(ii) Merger reserves arises from the reorganisation prior to 1 January 2013 and during the Relevant Periods as set out in Note 1 as a result of the reorganisation of subsidiaries under common control using the merger accounting method.

(iii) Pursuant to the relevant laws and regulations in the People's Republic of China ("**PRC**") and the Articles of Association of the subsidiaries established in PRC, the PRC subsidiaries are required to make appropriation from profit after tax to a statutory surplus reserve at rate determined by their respective Board of Directors.

(iv) During the year ended 31 December 2015, a subsidiary of the Group was liquidated (Note 12) following the cessation of its operations in 2014. Consequently, the capital reserve and statutory surplus were transferred to retained earnings.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FINANCIAL YEARS ENDED 31 DECEMBER 2013, 2014 AND 2015

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Operating activities			
Profit before tax from continuing operations and discontinued operation	360,378	512,142	582,699
Adjustments for:			
Finance costs	83,296	87,506	124,080
Interest income	(4,212)	(12,874)	(20,111)
Depreciation of property, plant and equipment	179,146	196,235	200,237
Amortisation of prepaid leases	6,591	10,132	10,843
Amortisation of intangible assets	10,395	10,474	15,525
Loss (Gain) on disposal of property, plant and equipment	6,042	(17,453)	11
Impairment losses recognised (reversed) on			
– Trade receivables	1,753	(1,590)	–
– Property, plant and equipment	2,405	–	–
Gain on disposal of assets classified as held-for-sale	(5,679)	(9,090)	–
Deferred grant recognised	(2,552)	(4,905)	(33,824)
Operating cash flows before movements in working capital	637,563	770,577	879,460
Decrease in trade and other receivables	5,198	45,120	60,353
Increase in service concession receivables	(118,318)	(16,981)	(30,150)
Decrease (increase) in other tax recoverable	1,336	(14,682)	695
Decrease in inventories	9,788	16,325	1,702
Increase in intangible assets	(200,442)	(23,273)	(98,655)
Increase in trade and other payables	101,096	12,789	76,825
Increase in other tax liabilities	7,889	5,109	7,873
Decrease (increase) in amounts due from related parties *(Note 37(a))*	14,489	(205,269)	26,819
Decrease (increase) in amount due from non-controlling interests	9,240	2,838	(394)
Increase (decrease) in amounts due to related parties *(Note 37(a))*	–	10,254	(10,254)
Cash generated from operations	467,839	602,807	914,274
Income tax refunded	6,172	–	–
Income tax paid	(37,193)	(100,459)	(120,599)
Net cash from operating activities	436,818	502,348	793,675

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	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Investing activities			
Interest received	4,212	2,696	1,977
Payments for property, plant and equipment	(559,178)	(734,474)	(760,194)
Proceeds from disposal of property, plant and equipment	–	–	4
Payment for prepaid leases	(27,700)	(14,082)	(20,736)
Net cash outflows arising from acquisition of a subsidiary *(Note 33)*	(19,324)	–	(47,726)
Consideration payables for acquisition of subsidiaries *(Note 24)*	–	–	(35,000)
Decrease in pledged bank deposits	95,000	25,000	45,000
Compensation received in respect of discontinued operation	10,000	232,860	–
Net cash used in investing activities	(496,990)	(488,000)	(816,675)
Financing activities			
Proceeds from borrowings	675,070	1,403,410	1,225,443
Proceeds from obligations under finance leases	–	–	515,690
Repayment of borrowings	(778,276)	(678,776)	(892,855)
Repayment of obligations under finance leases	(47,407)	(52,709)	(22,076)
Payment of finance costs	(84,837)	(94,542)	(127,343)
Dividends paid	(5,288)	(8,175)	(15,053)
Capital contributions	7,493	30,000	–
Advances/Repayment from related parties *(Note 37(a))*	784,389	1,480,724	2,205,822
Advances/Repayment to related parties *(Note 37(a))*	(589,762)	(2,039,194)	(2,752,987)
Deferred grants	1,194	480	113,976
Repayment to non-controlling interests for discontinued operation	–	–	(94,087)
Net cash (used in) from financing activities	(37,424)	41,218	156,530
Net (decrease) increase in cash and cash equivalents	(97,596)	55,566	133,530
Cash and cash equivalents at beginning of the year	262,141	164,545	220,111
Cash and cash equivalents at end of the year represented by bank balances and cash	164,545	220,111	353,641

Non-cash transaction

Note A:

During the financial year ended 31 December 2015, the Group acquired an associate for a consideration of RMB43,804,000 (Note 17). The amount was paid on behalf by a company in which the controlling shareholder has control over and was offset against the amounts due from related parties (Note 37(a)).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2013, 2014 AND 2015

1. GENERAL INFORMATION

China Jinjiang Environment Holding Company Limited (formerly known as "China Green Energy Holding Company Limited" and "Green Energy Holding Company Limited", the "**Company**") was incorporated on 8 September 2010 as an exempt company with limited liability in Cayman Islands with its registered office at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands and principal place of business at 111 Hushu South Road Level 19, Jinjiang Building, Hangzhou City, Zhejiang Province, the People's Republic of China (the "**PRC**"). Its parent and ultimate holding company is China Green Energy Limited ("**Green Energy**"), a company incorporated in the Cayman Islands, which owns 100% equity interests of the Company over the Relevant Periods. The ultimate controlling shareholder is Mr. Dou Zhenggang ("**Mr. Dou**").

The consolidated financial statements are expressed in Renminbi, which is the Company's functional currency.

The consolidated financial statements have been prepared solely in connection with the proposed listing of the Company shares on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The principal activity of the Company is that of an investment holding company.

The Group is mainly engaged in the generation and sales of electricity and steam, operation of waste-to-energy plant and project management, technical consulting and advisory services and energy management contracting business. The principal activities of the subsidiaries are disclosed below.

Particulars of the Company's subsidiaries during the Relevant Periods and at the date of this report are as follows:

Company name *(Note i)*	**Place of incorporation/ establishment**	**Proportion of ownership interest and voting power held by the Company** *(Note ii)* **At 31 December**			**Principal activities**
		2013	**2014**	**2015**	
		%	%	%	
Lamoon Holdings Limited ("**Lamoon Holdings**")	British Virgin Islands ("**BVI**")	100	100	100	Investment holding
Gevin Limited	Hong Kong	100	100	100	Investment holding
Outstanding Mode Developments Limited ("**Outstanding Mode**") *(Note vi)*	BVI	100	100	100	Investment holding
Prime Gain Investments Limited ("**Prime Gain**") *(Note vi)*	Hong Kong	100	100	100	Investment holding
Jiaxing Jinjiang Cogeneration Co., Ltd. ("**Jiaxing Jinjiang**") 嘉興錦江熱電有限公司	Jiaxing, the PRC	72.52	72.52	–	Operation of thermal power plant

Company name *(Note i)*	Place of incorporation/ establishment	Proportion of ownership interest and voting power held by the Company *(Note ii)* At 31 December 2013 %	2014 %	2015 %	Principal activities
Hangzhou Yuhang Jinjiang Environment Energy Co., Ltd. ("**Hangzhou Yuhang**") 杭州余杭錦江環保能源有限公司	Hangzhou, the PRC	100	100	100	Operation of waste-to-energy plant
Zhengzhou Xingjin Green Environment Energy Co., Ltd. ("**Zhengzhou Xingjin**") 鄭州滎錦綠色環保能源有限公司	Zhengzhou, the PRC	100	100	100	Operation of waste-to-energy plant and sales of steam
Green Energy (Hangzhou) Corporate Management Co., Ltd. ("**Green Energy Hangzhou**") 綠能(杭州)企業管理有限公司	Hangzhou, the PRC	100	100	100	Project management, technical consulting and advisory services
Wuhu Lüzhou Environment Energy Co., Ltd. ("**Wuhu Jinjiang**") 蕪湖綠州環保能源有限公司	Wuhu, the PRC	99	99	99	Operation of waste-to-energy plant and sales of steam
Zibo Environment Energy Co., Ltd. ("**Zibo Jinjiang**") 淄博環保能源有限公司	Zibo, the PRC	99	99	99	Operation of waste-to-energy plant
Kunming Xinxingze Environment Resources Industry Co., Ltd. ("**Kunming Jinjiang**") 昆明鑫興澤環境資源產業有限公司	Kunming, the PRC	79.45	79.45	79.45	Operation of waste-to-energy plant and sales of steam
Hangzhou Xiaoshan Jinjiang Green Energy Co., Ltd. ("**Xiaoshan Jinjiang**") 杭州蕭山錦江綠色能源有限公司	Hangzhou, the PRC	89.1	89.1	89.1	Operation of waste-to-energy plant
Wuhan Green Energy Co., Ltd. ("**Wuhan Jinjiang**") 武漢市綠色環保能源有限公司	Wuhan, the PRC	99	99	99	Operation of waste-to-energy plant and sales of steam
Wuhan Hankou Green Energy Co., Ltd. ("**Hankou Jinjiang**") 武漢漢口綠色能源有限公司	Wuhan, the PRC	99	99	99	Operation of waste-to-energy plant and sales of steam
Yunnan Green Energy Co., Ltd. ("**Yunnan Energy**") 雲南綠色能源有限公司	Kunming, the PRC	88.11	88.11	88.11	Operation of waste-to-energy plant
Lin'an Jiasheng Environment Co., Ltd. ("**Lin'an Jiasheng**") 臨安嘉盛環保有限公司	Lin'an, the PRC	99	99	99	Investment holding

Company name *(Note i)*	Place of incorporation/ establishment	Proportion of ownership interest and voting power held by the Company *(Note ii)* At 31 December 2013 %	2014 %	2015 %	Principal activities
Lianyungang Sunrise Environmental Protection Industry Co., Ltd. ("**Lianyungang Sunrise**") 連雲港晨興環保產業有限公司	Lianyungang, the PRC	100	100	100	Operation of waste-to-energy plant and sales of steam
Shanghai Sunrise Management Co., Ltd. ("**Shanghai Sunrise**") 上海晨興企業管理有限公司	Shanghai, the PRC	100	100	100	Investment holding
Sunrise Development Group Limited ("**Sunrise Development**")	Samoa	100	100	100	Investment holding
Jilin Xinxiang Co., Ltd. ("**Jilin Xinxiang**") 吉林鑫祥有限責任公司	Changchun, the PRC	80	80	80	Operation of waste-to-energy plant and sales of steam
Inner Mongolia Pulate Transportation Energy Co., Ltd. ("**PLT Energy**") 內蒙古普拉特交通能源有限公司	Baotou, the PRC	41.94 (*Note iii*)	41.94	41.94	Operation of waste-to-energy plant
Yinchuan Zhongke Environmental Electrical Co., Ltd. ("**Yinchuan Zhongke**") 銀川中科環保電力有限公司	Yinchuan, the PRC	99.94	99.94	99.94	Operation of waste-to-energy plant
Suihua Green New Energy Co., Ltd. ("**Suihua New Energy**") 綏化市綠能新能源有限公司	Suihua, the PRC	100	100	100	Operation of waste-to-energy plant
Zibo Green Energy Co., Ltd. ("**Zibo Green Energy**") 淄博綠能環保能源有限公司 *(Note v)*	Zibo, the PRC	99	99	99	Operation of waste-to-energy plant and sales of steam
Hohhot Jiasheng New Energy Co., Ltd. ("**Hohhot New Energy**") 呼和浩特嘉盛新能源有限公司 *(Note v)*	Hohhot, the PRC	99	99	99	Operation of waste-to-energy plant
Qitaihe Green New Energy Co., Ltd. ("**Qitaihe New Energy**") 七台河綠能新能源有限公司 *(Note v)*	Qitaihe, the PRC	–	99	99	Operation of waste-to-energy plant

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Company name *(Note i)*	Place of incorporation/ establishment	Proportion of ownership interest and voting power held by the Company *(Note ii)* At 31 December			Principal activities
		2013	2014	2015	
		%	%	%	
Songyuan Xinxiang New Energy Co., Ltd.("**Songyuan Xinxiang**") 松源鑫祥新能源有限公司 *(Note v)*	Songyuan, the PRC	–	79.2	79.2	Operation of waste-to-energy plant
Tianjin Sunrise Environmental Protection Science and Technology Development Co., Ltd. ("**Tianjin Sunrise**") 天津市晨興力克環保科技發展有限公司*(Note iv)*	Tianjin, the PRC	99	99	99	Operation of waste-to-energy plant and sales of steams
Hangzhou Kesheng Energy Technology Co., Ltd ("**Kesheng Energy**") *(Note vi)* 杭州科晟能源技術有限公司	Hangzhou, the PRC	–	100	100	Operation of EMC Business (As defined in Note 1 (6))
Yunnan Jinde Green Energy Co., Ltd ("**Jinde Energy**") *(Note v)* 雲南錦德綠色能源有限公司	Puer, the PRC	–	50.49	50.49	Operation of waste-to-energy plant
Zhongwei Green New Energy Co., Ltd ("**Zhongwei Energy**") *(Note v)* 中衛市綠能新能源有限公司	Zhongwei, the PRC	–	99	99	Operation of waste-to-energy plant
Gaozhou Green New Energy Co., Ltd ("**Gaozhou Energy**") *(Note v)* 高州市綠能新能源有限公司	Gaozhou, the PRC	–	99	99	Operation of waste-to-energy plant
Baishan Green New Energy Co., Ltd ("**Baishan Energy**") *(Note v)* 白山綠能新能源有限公司	Baishan, the PRC	–	99	99	Operation of waste-to energy plant
Linzhou Jiasheng New Energy Co., Ltd ("**Linzhou Jiasheng**") *(Note v)* 林州市嘉盛新能源有限公司	Linzhou, the PRC	–	–	99	Operation of waste-to energy plant
Hunchun Green New Energy Co., Ltd ("**Hunchun Energy**") *(Note v)* 琿春綠能新能源有限公司	Hunchun, the PRC	–	–	99	Operation of waste-to energy plant

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Company name *(Note i)*	Place of incorporation/ establishment	Proportion of ownership interest and voting power held by the Company *(Note ii)* At 31 December 2013 %	2014 %	2015 %	Principal activities
Yulin Green New Energy Co., Ltd ("**Yulin Energy**") *(Note v)* 榆林綠能新能源有限公司	Yulin, the PRC	–	–	99	Operation of waste-to energy plant
Shijiazhuang Jiasheng New Energy Co., Ltd ("**Shijiazhuang Jiasheng**") *(Note v)* 石家莊嘉盛新能源有限公司	Shijiazhuang, the PRC	–	–	81.18	Operation of waste-to-energy plant
Manzhouli Green New Energy Co. Ltd ("**Manzhouli Energy**") *(Note v)* 滿洲里綠能新能源有限公司	Manzhouli, the PRC	–	–	99	Operation of waste-to-energy plant
Zibo Green New Energy Co., Ltd ("**Zibo New Energy**") *(Note v)* 淄博綠能新能源有限公司	Zibo, the PRC	–	–	99	Operation of waste-to-energy plant
Tangshan Jiasheng New Energy Co., Ltd ("**Tangshan Jiasheng**") *(Note v)* 唐山嘉盛新能源有限公司	Tangshan, the PRC	–	–	99	Operation of waste-to-energy plant
Gaomi Lilangmingde Co. Ltd ("**Gaomi Energy**") *(Note iv)* 高密利朗明德環保科技有限公司	Gaomi, the PRC	–	–	100	Operation of waste-to-energy plant
Singapore Jinjiang Environment Pte. Ltd. *(Note vii)*	Singapore	–	–	–	Investment holding

Notes:

(i) The English names of those companies established in the PRC are for reference only and have not been registered. The subsidiaries are audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP for consolidation purposes.

(ii) Other than Lamoon Holdings and Singapore Jinjiang Environment Pte. Ltd. held directly by the Company, all subsidiaries are indirectly held by the Company.

(iii) The Group has control over the entity as the Group has the power to appoint 4 out of 5 directors on the Board of the entity in accordance with the shareholders' agreement and direct the relevant activities of the entity.

(iv) Acquired by the Group during the Relevant Periods.

(v) Newly established in the PRC during the Relevant Periods.

(vi) Acquired from Green Energy (Details are set out in Note 1(6). Outstanding Mode holds 100% equity interest in Prime Gain.).

(vii) Incorporated on 4 April 2016 and wholly held by the Company.

The Reorganisation Exercise

The Company underwent the following reorganisation exercise ("**Reorganisation Exercise**") to rationalise the structure of the Company and its subsidiaries in preparation for the proposed listing of the Company on the SGX-ST:

Corporate Reorganisation

(1) Share Repurchase

On 20 June 2016, Green Energy entered into a share repurchase agreement with Win Charm (Company in which Mr Dou has interest in) (the "**Share Repurchase Agreement**"). Under the Share Repurchase Agreement, Green Energy repurchased 4,651,446 ordinary shares in Green Energy held by Win Charm (the "**Share Repurchase**"), representing approximately 36.8% of the total number of ordinary shares in Green Energy before the Share Repurchase. The consideration for the Share Repurchase was satisfied through the transfer by Green Energy to Win Charm of 2,757,145 shares in the Company held by Green Energy, representing approximately 27.6% of the total shares as at the date of the Share Repurchase which was calculated on the basis of maintaining the shareholding percentage Win Charm would have held in the Company on a fully-diluted basis immediately prior to the Offering if the Share Repurchase had not been carried out. The aforementioned basis of satisfying the consideration for the Share Repurchase was agreed upon between the relevant shareholders, including Radec XIX Ltd and AEP Investments (Mauritius) Limited which had subscribed for Series A redeemable preferred shares in the capital of Green Energy ("**Series A Preferred Shares**") in 2010. The 4,651,446 repurchased ordinary shares in Green Energy were cancelled. The transactions under the Share Repurchase Agreement were completed on 20 June 2016, prior to the Share Split (as defined below) and the Investor Share Swap (as defined below).

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Upon the completion of the Share Repurchase, the resultant shareholding in Green Energy was as follows:

(i) Mr. Dou and Win Charm held 4,000,000 and 3,999,999 ordinary shares in Green Energy, respectively, each representing approximately 50.0% of the total number of ordinary shares and approximately 30.8% of the total number of issued shares (including Series A Preferred Shares) in Green Energy; and

(ii) Radec XIX Ltd and AEP Investments (Mauritius) Limited held 3,611,111 and 1,388,889 Series A Preferred Shares, respectively, representing approximately 27.8% and 10.7% of the total number of issued shares (including Series A Preferred Shares) in Green Energy, respectively.

Upon the completion of the Share Repurchase, Green Energy and Win Charm held 7,242,856 and 2,757,145 shares in the Company, respectively, representing approximately 72.4% and 27.6% of the total number of shares in the Company, respectively.

(2) Share Split

On 29 June 2016, the 10,000,001 shares in the Company were sub-divided into 1,000,000,100 shares (the "**Share Split**").

(3) Investor Share Swap

On 29 September 2010, Mr. Dou, Win Charm, Green Energy, the Hangzhou Jinjiang Group Company Ltd (杭州錦江集團有限公司, "**Jinjiang Group**") (Company in which Mr. Dou has control over), Radec XIX Ltd, AEP Investments (Mauritius) Limited and the Company entered into a share subscription and rights agreement, as amended by supplemental agreements dated 29 September 2013, 30 June 2014 and 13 June 2016, respectively (the "**Share Subscription and Rights Agreement**") to regulate, among other things, their respective rights and obligations in relation to the subscription by Radec XIX Ltd and AEP Investments (Mauritius) Limited for 3,611,111 and 1,388,889 Series A Preferred Shares in Green Energy, respectively. Under the Share Subscription and Rights Agreement:

(i) all the Series A Preferred Shares in Green Energy held by Radec XIX Ltd and AEP Investments (Mauritius) Limited, respectively, shall be redeemed; and

(ii) 180,620,574 and 69,469,451 shares in the Company, representing approximately 18.1% and 6.9% of the total number of shares in the Company (after adjusting for the Share Split), shall be transferred by Green Energy to Radec XIX Ltd and AEP Investments (Mauritius) Limited, respectively,

prior to the Listing (the "**Investor Share Swap**").

The aforementioned number of shares to be transferred to each of Radec XIX Ltd and AEP Investments (Mauritius) Limited was determined pursuant to the terms of the Share Subscription and Rights Agreement. The Share Subscription and Rights Agreement, including the respective supplemental agreements dated 29 September 2013, 30 June 2014 and 13 June 2016 was negotiated and entered into by the Company on an arm's length basis and on normal commercial terms.

The Investor Share Swap was completed on 20 July 2016, following the Share Repurchase and the Share Split.

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Following the completion of the Share Repurchase, the Share Split and the Investor Share Swap, the resultant shareholding in the Company and Green Energy was as follows:

(i) Green Energy, Win Charm, Radec XIX Ltd and AEP Investments (Mauritius) Limited held 474,195,575, 275,714,500, 180,620,574 and 69,649,451 shares, respectively, representing approximately 47.4%, 27.6%, 18.1% and 6.9% of the total number of shares in the Company, respectively; and

(ii) Mr. Dou and Win Charm held 4,000,000 and 3,999,999 ordinary shares in Green Energy, respectively, each representing approximately 50.0% of the total number of ordinary shares in Green Energy.

(4) Acquisition of Tianjin Sunrise

In December 2013, Sunrise Environmental Group Company Limited (晨興環保集團有限公司), an independent third party, and Mr. Zhang Erxian, an independent third party, transferred 60% and 40% of the equity interest, respectively, in Tianjin Sunrise to Lin'an Jiasheng, an indirect wholly-owned subsidiary of the Group, for a consideration of RMB30,000,000 and RMB20,000,000, respectively, which was determined based on the registered and paid-up capital of Tianjin Sunrise of RMB50,000,000 at the relevant time. Upon completion of the aforementioned transfers, Lin'an Jiasheng held 100% of the equity interest in Tianjin Sunrise, and Tianjin Sunrise became a non-wholly-owned subsidiary of the Group.

(5) Acquisition of Gaomi Lilangmingde

In September 2015, Hong Kong Lilangmingde Environmental Protection Technology Co., Ltd., an independent third party, agreed to transfer 100% of the equity interest in Gaomi Lilangmingde to Gevin, an indirect wholly-owned subsidiary of the Group, for a consideration of RMB103,990,000, which was determined based on the registered capital of Gaomi Lilangmingde of US$16,500,000 at the relevant time. Upon completion of the aforementioned transfer in December 2015, Gevin held 100% of the equity interest in Gaomi Lilangmingde, and Gaomi Lilangmingde became a wholly-owned subsidiary of the Group.

(6) EMC Business Injection

Business Restructuring Agreement

On 31 March 2014, Hangzhou Kesheng, which was then a wholly-owned subsidiary of Win Charm, entered into a business restructuring agreement (the "**Business Restructuring Agreement**") with the Jinjiang Group. The purpose of the Business Restructuring Agreement was to consolidate the EMC business of the Jinjiang Group under Hangzhou Kesheng in preparation for the Group's acquisition of the EMC business.

Pursuant to the Business Restructuring Agreement, the Jinjiang Group agreed to transfer the rights and obligations under (i) two EMC contracts entered into by the Jinjiang Group as service provider and (ii) the employment contracts with certain employees of the Jinjiang Group to Hangzhou Kesheng at nil consideration. The nil consideration was agreed between the parties on the basis that various costs associated with the initial investment and establishment of the Jinjiang Group's EMC business had been borne by Hangzhou Kesheng prior to the Business Restructuring Agreement. The various transactions pursuant to the Business Restructuring Agreement had been completed as of 1 June 2014.

Following the completion of the Outstanding Mode Share Purchase Agreement (as defined below) on 30 June 2014 pursuant to the EMC Business Injection, Hangzhou Kesheng became an indirect wholly-owned subsidiary of the Group.

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Outstanding Mode Share Purchase Agreement

On 30 June 2014, the Company entered into a share purchase agreement with (i) Green Energy, (ii) Win Charm, and (iii) Grand Energy Co., Ltd. ("**Grand Energy**"), a company incorporated under the laws of the British Virgin Islands and wholly-owned by Ms. Jennifer Wei, the daughter of Mr. Dou (the "**Outstanding Mode Share Purchase Agreement**"). Outstanding Mode in turn indirectly held 100% of the equity interest in Hangzhou Kesheng, which was the holding company for the EMC business of the Jinjiang Group.

Under the Outstanding Mode Share Purchase Agreement, Green Energy acquired the entire issued share capital of Outstanding Mode from Win Charm, and the Company thereafter acquired the entire issued share capital in Outstanding Mode from Green Energy. The transactions under the Outstanding Mode Share Purchase Agreement were completed on the same day. Accordingly, through the Outstanding Mode Share Purchase Agreement, the Group acquired the EMC business of the Jinjiang Group.

(7) Acquisition of 1.0% of the shares in Lin'an Jiasheng from Radec XIX Ltd by Gevin

In December 2010, pursuant to the Share Subscription and Rights Agreement and as part of the security package for Radec XIX Ltd and AEP Investments (Mauritius) Limited, 1.0% of the equity interest in Lin'an Jiasheng was acquired by Radec XIX Ltd for a consideration of RMB2.7 million, which was determined based on the registered and paid-up capital of Lin'an Jiasheng of RMB270,000,000 at the relevant time.

In connection with the proposed listing of the Company on the SGX-ST, the relevant parties had agreed in the Share Subscription and Rights Agreement (as amended) to effect the transfer of 1.0% of the equity interest in Lin'an Jiasheng held by Radec XIX Ltd to the Group.

On 13 June 2016, Gevin, an indirect wholly-owned subsidiary of the Group, entered into a share transfer agreement with Radec XIX Ltd for the transfer of 1.0% of the equity interest in Lin'an Jiasheng to for a consideration of RMB2.7 million, which was provided for under the Share Subscription and Rights Agreement as the equivalent amount of consideration paid by Radec XIX Ltd at the time of acquisition in December 2010. Upon completion of the aforementioned transfer, Zhengzhou Xingjin, Hangzhou Yuhang and Gevin, indirect wholly-owned subsidiaries of the Group, held 67.0%, 32.0% and 1.0% of the equity interest in Lin'an Jiasheng, respectively, and Lin'an Jiasheng became the Group's wholly-owned subsidiary. The aforementioned share transfer agreement was negotiated and entered into by the Group on an arm's length basis and on normal commercial terms but is not an interested person transaction.

Basis of preparation of the consolidated financial statements

The Group resulting from the above Reorganisation Exercise is regarded as a continuing entity throughout the Relevant Periods as the Group is ultimately controlled by the common shareholder both before and after the Reorganisation Exercise. The consolidated financial statements of the Group for the Relevant Periods have been prepared using the principles of merger accounting on the basis that the Reorganisation Exercise transfers the equity interest in the consolidated entities under the common control to the Company has been effected as at the beginning of the Relevant Periods presented in these consolidated financial statements, or since their respective dates of establishment whichever is the shorter period.

The consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 were authorised for issue by the Board of Directors on 25 July 2016.

A-14, A-15

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purposes of preparing and presenting consolidated financial statements for the Relevant Periods, the Group has adopted all relevant IFRSs, International Accounting Standards ("**IASs**"), amendments and interpretations issued by IASB prior to the Relevant Periods and for those which are effective for annual period beginning on 1 January 2013 consistently throughout the Relevant Periods.

New and revised IFRSs issued but not yet effective

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations that are not yet effective in the Relevant Periods, which the Group has not adopted.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
Amendments to IAS 1	Disclosure Initiative[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 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.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 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 of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are 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 IFRS 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.

A-15, A-16

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 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, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 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 IAS 39. Under IFRS 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 effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 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 IFRS 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may have an 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 IFRS 15 until the Group performs a detailed review.

A-16, A-17

IFRS 16 Leases

In January 2016, IFRS 16 was issued. Under the new standard, most leases will be brought on to the consolidated statements of financial position under a single model similar to the existing finance lease model. However, lessor accounting, with the distinction between operating and finance leases, remains largely unchanged.

The new standard supersedes the previous standard and interpretations and brings in a new definition of a lease that will be used to identify whether a contract is, or contains, a lease.

The directors of the Company anticipate that the application of IFRS 16 in the future may have an 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 IFRS 16 until the Group performs a detailed review.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments have been made to the following:

- Materiality and aggregation — An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statement of financial position and statement of profit or loss and other comprehensive income — The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("**OCI**") arising from equity-accounted investments — An entity's share of OCI of equity-accounted associates and joint ventures should be represented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes — Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently evaluating the potential impact of the application of these amendments to IAS 1 on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements has been prepared on the historical cost basis, and in accordance with accounting policies set out below which are in conformity with IFRSs. The principal accounting policies adopted are as follows:

Historical cost is generally based on the fair value of 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 leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets.*

A-17, A-18

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.

These policies have been consistently applied throughout the Relevant Periods.

Basis of consolidation

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

- has the 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 Company 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.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date the Company gain control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component 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.

A-18, A-19

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

All significant intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated 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 IFRSs). 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 IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 former owners of acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are 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 IAS 12 *Income Taxes* and IAS 19 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 IFRS 2 at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 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 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.

A-19, A-20

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 value or, when applicable, on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

Business combination involving entities under common control

The net assets of the combining entities or businesses are combined using the existing carrying amounts. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is earlier.

Investment 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.

A-20, A-21

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. 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.

The requirements of IAS 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 IAS 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 IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group (such as a sale or contribution of assets), 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.

A-22, A-23

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. 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.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the 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.

Rendering of services

Revenue from the provision of waste treatment services, project management, technical consulting and advisory services, EMC business and operating services under service concession arrangements are recognised based on agreed rates when the relevant services are rendered.

Interest income

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 income can be measured reliably. Interest income from a financial asset 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 estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Construction contracts

Income from construction contracts is recognised as set out in the accounting policy for "Construction contracts" and "Service concession arrangements" below.

A-23, A-24

Leasing

Leases are classified as finance leases 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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. 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, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity within the Group operates (its functional currency). The consolidated financial statements of the Group are presented in Renminbi, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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.

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 borrowings 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.

A-24, A-25

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and 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 grant in the consolidated statements 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 loss in the period in which they become receivable.

Retirement benefit costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are recognised in profit or loss when employees have rendered service entitling them to the contributions.

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 as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other periods and items that are not taxable or deductible. The Group's liability for 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 tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of 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, 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 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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits 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 realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities 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.

A-25, A-26

Current and deferred tax are recognised in profit or loss, except when they relate 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.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is charged so as to write off the cost of items of property, plant, and equipment (other than buildings, plant and machinery under construction) less their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	–	3.60%
Plant and machinery	–	4.50-7.50%
Furniture, fixture and equipment	–	18.00%
Motor vehicles	–	11.25%

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes 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.

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.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 the 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.

Intangible assets

Intangible assets acquired separately excluding operating concessions

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and 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 accounted for on a prospective basis.

The following useful life is used in the calculation of amortisation:

Computer software	–	20%

A-26, A-27

Service concession arrangements

The Group recognises an intangible asset at fair value upon initial recognition when it has a right to charge for usage in relation to a concession infrastructure (as a consideration for providing construction services in a service concession arrangement). Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on straight-line basis over the respective periods of the operating concessions granted to the Group of 28 to 30 years.

Derecognition of intangible assets

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

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. They are amortised on a straight-line basis over the lease terms of 30 to 50 years.

Impairment of tangible and intangible assets other than goodwill

At the end of each 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. When a reasonable and consistent basis for allocation can be identified, assets are 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 can be identified.

Recoverable amount is the higher of the fair value less costs of disposal and value in use. In assessing value in use, the estimated 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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs of inventories are calculated using the 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.

A-27, A-28

Service concession arrangements

Consideration given by the grantor

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

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service. The intangible assets (operating concession) are stated at cost less accumulated amortisation and any accumulated impairment loss and are amortised on a straight-line basis over the operation phase of the concession periods.

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

Construction of service concession related infrastructure

Revenue and costs relating to construction phase of a concession arrangement is accounted for in accordance to IAS 11 *Construction Contracts*. The Group recognised the construction revenue with reference to the fair value of the construction service delivered in the construction phase. The fair value of such service is estimated on a cost-plus basis with reference to the prevailing market rate of gross margin and borrowing rates. Consequently, the Group recognised a profit margin on the construction work by reference to the stage of completion and in accordance with the policy for "Construction contracts" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "Revenue recognition (rendering of services)" above.

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

When the Group has contractual obligations that it must fulfil as a condition of its licence for operating concessions under the "Intangible Asset" model, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore the infrastructure are recognised and measured in accordance with the policy set out for "Provisions" below.

Repair and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

A-28, A-29

Construction contracts

Where the outcome of a construction contract including construction or upgrade 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. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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.

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 the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision 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. Where 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.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 or issue of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

A-29, A-30

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from related parties, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. 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 as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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 loss 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 loss is reversed does not exceed what the amortised cost would have been had the impairment loss not been recognised.

Financial liabilities and equity instruments

Financial liabilities 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 entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. The Group's financial liabilities are generally classified into other financial liabilities.

Financial liabilities

The financial liabilities of the Group including trade and other payables, dividends payable, amounts due to related parties and borrowings, are subsequently measured at amortised cost, using the effective interest method.

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.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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 gain or loss is recognised in profit or loss.

On derecognition of a financial asset other than its entirety, the Group allocated the previous carrying amount of the financial asset between the part it continued to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that has been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that has been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

A-31, A-32

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Service concession arrangements

During the Relevant Periods, the Group entered into build-operate-own ("**BOO**") and build-operate-transfer ("**BOT**") arrangements in respect of certain of its waste-to-energy plants with the local government.

The Group assessed that the BOO arrangements are not service concession arrangements under IFRIC 12 *Service Concession Arrangements* because the local government does not control the significant residual interest in the infrastructure at the end of the term of the arrangements. Under the terms of the arrangement, the Group has the practical ability to pledge the infrastructure throughout the period of the arrangement. At the end of the respective BOO arrangement, the Group retains the ownership and control to the infrastructure and holds the right of first refusal on renewal of the service concession arrangement by the local government. In addition to the initial investment in the infrastructure, the Group performs technical upgrade periodically to improve the capacity and efficiency of the infrastructure. Management believes such improvements will further enhance the residual interest in the overall infrastructure at the end of the service concession arrangement.

On the other hand, the Group concluded that the BOT arrangements are service concession arrangement under IFRIC 12 *Service Concession Arrangements*, because (i) the local government controls and regulates the services that the Group must provide with the infrastructure at a pre-determined service charge and the parties to whom the Group must provide the services, and (ii) the local government controls significant residual interest in the infrastructure at the end of the term of the arrangements. Under the terms of the arrangement, upon expiry of the respective BOT arrangements, the infrastructure has to be transferred to the local government under good condition at no or minimal consideration.

See below involving estimations that management has made in relation to revenue recognition for construction services arising from service concession arrangements.

Key sources of estimation uncertainty

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

A-32, A-33

Service concession arrangements

The Group recognises the right to operate the infrastructure (as the consideration received or receivable in exchange for the construction services provided) as an intangible asset in accordance with the BOT arrangements entered into with the local government for the project where there is no future guaranteed receipts over its service concession period. The Group recognises a financial asset, named "service concession receivables", arising from a service concession arrangement when it has an unconditional contractual right to receive cash or other financial asset from or at the direction of the grantor for the construction services provided. Such financial assets are measured at fair value on initial recognition and classified as service concession receivable. If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration is accounted for separately and is initially recognised at the fair value of the consideration.

Where the Group performs more than one service under the concession arrangements, the consideration for the services provided under the concession arrangements is allocated to the components by reference to their relative fair values.

Estimation is exercised in determining the fair values of the receivables under service concession arrangements as well as impairment of the receivables under service concession arrangements and intangible assets subsequent to initial recognition. Discount rates, estimates of future cash flows, costs of construction and other factors are used in the determination of the amortised cost of financial asset and corresponding finance income.

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's intangible assets and financial receivables arising from service concession arrangements at the end of the reporting period is disclosed in Notes 16 and 18 to the consolidated financial statements respectively.

The stage of completion of each construction contract is assessed on a cumulative basis in each accounting year. Changes in estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract could impact the amount of revenue and expense recognised in profit or loss in the year in which the change is made and in subsequent years. Such impact could potentially be significant.

Revenue from construction services provided under service concession arrangements is disclosed in Note 7 to the consolidated financial statements. The gross profit margin recognised for third party constructed infrastructure in relation to service concession arrangements is 10.9% for the Relevant Periods. The gross profit margin is valued by an independent qualified valuer based on prevailing market rate applicable to construction services rendered by comparable companies.

Useful lives and residual values of property, plant and equipment

Management exercises their judgement in estimating the useful lives and residual values of the depreciable assets. The estimated useful lives reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the depreciable asset.

Depreciation is provided to write off the cost of property, plant and equipment, adjusted for residual value, over their estimated useful lives, using the straight-line method.

The carrying amount of property, plant and equipment is disclosed in Note 14 to the consolidated financial statements.

A-33, A-34

Impairment of property, plant and equipment

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use calculations. These calculations require the use of estimates, such as discount rates, future profitability and growth rates.

The carrying amount of property, plant and equipment is disclosed in Note 14 to the consolidated financial statements.

Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables and amounts due from related parties taking into consideration the estimation of future cash flows. The allowance is measured as the difference between the carrying amount of the assets and the present value of estimated future cash flows. Allowances are applied to trade and other receivables and amounts due from related parties where the actual future cash flows are less than expected and where events or changes in circumstances indicate that the balances may not be recoverable.

The carrying amounts of trade and other receivables and amounts due from related parties are disclosed in Notes 20 and 37 to the consolidated financial statements respectively.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders 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 issued capital, reserves and borrowings.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Financial assets			
Loans and receivables			
(including cash and cash equivalents)	1,443,365	1,232,952	1,334,563
Financial liabilities			
Amortised cost	2,724,726	2,950,690	3,377,787

A-34, A-35

b. Financial risk management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented timely where necessary.

Foreign currency risk

The Group's exposure to foreign currency risk is limited as there were no significant monetary assets and liabilities denominated in foreign currency and accordingly no sensitivity analysis was prepared.

Interest rate risk

The Group's exposure to fair value interest rate risk relates primarily to its fixed-rate borrowings (see Note 26 for details) and obligations under finance leases (see Note 27 for details). The Group's exposure to cash flow interest rate risk relates primarily to its variable-rate bank borrowings.

The Group currently does not have a specific policy to manage its interest rate risk and has not entered into any interest rate swaps to hedge against the exposure. Management closely monitors the interest rate risk exposure.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable-rate borrowings and bank balances at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates on variable-rate borrowings.

If interest rates had been 50 basis points higher/lower, the impact on profit or loss before tax will be:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Decrease/Increase in profit before tax	3,662	6,315	7,788

Credit risk

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 statements of financial position; and
- the amount of contingent liabilities in relation to financial guarantees issued by the Group as disclosed in Note 36.

A-35, A-36

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Customers of the Group mainly consists of regional state-owned grid companies, local government environmental sectors and certain manufacturing companies whose production relies on the supply of electricity and steam by the Group. In this regard, management considers the Group's credit risk is significantly reduced.

Other than the concentration of credit risk on trade receivables and amounts due from related parties as disclosed, the Group does not have any other significant concentration of credit risk.

Liquidity risk

To manage the liquidity risk, the Group maintains a level of cash and cash equivalents considered adequate by management to finance the Group's operations. Management monitors the level of bank borrowings and ensures compliance with loan undertakings. The Group also relies on borrowings and amounts due to related parties for liquidity requirements.

As at 31 December 2013, 2014 and 2015, the Group has net current liabilities of RMB792,263,000 and RMB785,328,000 and RMB164,142,000, respectively. This exposes the Group to liquidity risk if the Group could not fulfil its financial obligations. Management is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due within the next twelve months from the end of the reporting period due to the following:

1. Jinjiang Group (杭州錦江集團有限公司), Company in which Mr. Dou has control over (see Note 1(3)) has agreed not to demand for repayment of RMB1,045,118,000, RMB474,080,000 and nil due to them after offsetting arrangement as at December 2013, 2014 and 2015, respectively, until such time when the Group has the financial ability to do so;

2. Net cash inflows generated from the Group's operating activities over the Relevant Periods;

3. As at 31 December 2013, 2014 and 2015, the Group has available unutilised bank loan facilities of RMB76,930,000, RMB481,520,000 and RMB487,300,000, respectively; and

4. Subsequent to end of 31 December 2015, the Group has obtained a new banking facility amounting to RMB210,000,000 to be partially utilised for working capital purposes.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its financial liabilities as at the end of the reporting period. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date 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 curves at the end of the reporting period.

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	Weighted average effective interest rate	On demand, or less than 1 year	1- 5 years	5+ years	Undiscounted cashflows	Carrying amount closing balance
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013						
Non-derivative financial liabilities						
Trade and other payables	–	440,935	–	–	440,935	440,935
Amounts due to related parties	–	1,069,510	–	–	1,069,510	1,069,510
Amounts due to non–controlling interests	–	63	–	–	63	63
Dividends payable	–	10,685	–	–	10,685	10,685
Borrowings	6.04	665,876	534,064	99,811	1,299,751	1,148,412
Obligations under finance leases	10.74	57,064	–	–	57,064	55,121
		2,244,133	534,064	99,811	2,878,008	2,724,726
31 December 2014						
Non-derivative financial liabilities						
Trade and other payables	–	572,280	–	–	572,280	572,280
Amounts due to related parties	–	496,081	–	–	496,081	496,081
Dividends payable	–	9,283	–	–	9,283	9,283
Borrowings	6.44	967,392	999,048	187,201	2,153,641	1,873,046
		2,045,036	999,048	187,201	3,231,285	2,950,690
31 December 2015						
Non-derivative financial liabilities						
Trade and other payables	–	567,352	–	–	567,352	567,352
Amounts due to related parties	–	43,761	–	–	43,761	43,761
Dividends payable	–	1,397	–	–	1,397	1,397
Borrowings	6.25	622,964	1,532,308	362,947	2,518,219	2,205,634
Obligations under finance leases	7.86	153,710	505,208	–	658,918	559,643
		1,389,184	2,037,516	362,947	3,789,647	3,377,787

As at 31 December 2013, the maximum amount that the Group could be forced to settle under the corporate guarantee provided by the Group (Note 36) is RMB30,000,000. The earliest period that the guarantee could be called is within 1 year from 31 December 2013. Management considers that it is more likely than not that no amount will be payable under the arrangement.

c. Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices or rates from observable current market transactions as input.

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values at the end of each Relevant Period.

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7. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the Group's chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focuses on the types of products and services delivered or provided. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

(1) Waste-to-energy project construction and operation

– Comprise sales of electricity and steam, waste treatment, construction services provided and financial income under service concession

(2) Project technical and management service and EMC business

– Comprise of service income

An operating segment representing a thermal power project operation was considered as discontinued operation during the year ended 31 December 2013. The segment information reported has separately included amounts for the discontinued operation.

During the year ended 31 December 2014, the Group commenced the EMC business as a result of the acquisition of Outstanding Mode and its subsidiaries as detailed in Note 1(6).

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

Continuing operations

For the year ended 31 December 2013

	Waste-to-energy project construction and operation *RMB'000*	**Project technical and management service and EMC business** *RMB'000*	**Total** *RMB'000*
Segment revenue			
External revenue	1,261,419	15,305	1,276,724
Inter-segment revenue	–	5,997	5,997
	1,261,419	21,302	1,282,721
Elimination	–	(5,997)	(5,997)
Revenue	1,261,419	15,305	1,276,724
Segment profit	449,283	6,955	456,238
Government grants	12,842	–	12,842
Other income			3,789
Administrative expenses			(107,874)
Finance costs			(73,257)
Profit before tax			291,738

For the year ended 31 December 2014

	Waste-to-energy project construction and operation *RMB'000*	Project technical and management service and EMC business *RMB'000*	Total *RMB'000*
Segment revenue			
External revenue	1,122,911	146,746	1,269,657
Inter-segment revenue	–	38,274	38,274
	1,122,911	185,020	1,307,931
Elimination	–	(38,274)	(38,274)
Revenue	1,122,911	146,746	1,269,657
Segment profit	496,402	124,478	620,880
Government grants	39,693	–	39,693
Other income			11,051
Administrative expenses			(135,585)
Finance costs			(83,717)
Profit before tax			452,322

For the year ended 31 December 2015

	Waste-to-energy project construction and operation *RMB'000*	Project technical and management service and EMC business *RMB'000*	Total *RMB'000*
Segment revenue			
External revenue	1,314,765	273,374	1,588,139
Inter-segment revenue	–	24,222	24,222
	1,314,765	297,596	1,612,361
Elimination	–	(24,222)	(24,222)
Revenue	1,314,765	273,374	1,588,139
Segment profit	531,056	214,817	745,873
Government grants	84,735	–	84,735
Other income			10,410
Administrative expenses			(134,239)
Finance costs			(124,080)
Profit before tax			582,699

Discontinued operations

For the year ended 31 December 2013

	Thermal power operation *RMB'000*
Segment revenue	
External revenue	362,769
Inter-segment revenue	–
	362,769
Elimination	–
Revenue	362,769
Segment profit	81,482
Government grants	153
Other income	7,105
Administrative expenses	(10,061)
Finance costs	(10,039)
Profit before tax	68,640

For the year ended 31 December 2014

	Thermal power operation *RMB'000*
Segment revenue	
External revenue	165,531
Inter-segment revenue	–
	165,531
Elimination	–
Revenue	165,531
Segment profit	43,578
Government grants	2,410
Other income	37,814
Administrative expenses	(20,193)
Finance costs	(3,789)
Profit before tax	59,820

The accounting policy of the segments is the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of other income, administrative expenses and finance costs. This is the measure reported to chief operating decision makers for the purposes of allocation of resource and assessment of segment performance.

Segment assets and liabilities

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

Continuing Operations

As at 31 December 2013

	Waste-to-energy project construction and operation	Project technical and management service and EMC business	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	4,573,593	66,796	4,640,389
Assets relating to discontinued operation			335,150
Unallocated			864,457
Consolidated total assets			5,839,996
Segment liabilities	1,452,604	7,179	1,459,783
Liabilities relating to discontinued operation			272,996
Unallocated			1,265,217
Consolidated total liabilities			2,997,996

As at 31 December 2014

	Waste-to-energy project construction and operation	Project technical and management service and EMC business	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment assets	5,142,578	449,816	5,592,394
Assets relating to discontinued operation			21,503
Unallocated			464,412
Consolidated total assets			6,078,309
Segment liabilities	2,445,470	64,153	2,509,623
Liabilities relating to discontinued operation			6,759
Unallocated			746,553
Consolidated total liabilities			3,262,935

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Continuing Operations

As at 31 December 2015

	Waste-to-energy project construction and operation *RMB'000*	Project technical and management service and EMC business *RMB'000*	Total *RMB'000*
Segment assets	5,998,568	428,830	6,427,398
Unallocated			532,966
Consolidated total assets			6,960,364
Segment liabilities	3,449,844	33,768	3,483,612
Unallocated			355,002
Consolidated total liabilities			3,838,614

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than other tax recoverable, pledged bank deposits, bank balances and cash and the non-trade related balances due from related parties and non-controlling interests.

All liabilities are allocated to reportable segments other than income tax liabilities, other taxes liabilities, dividend payable, deferred tax liabilities and the non-trade related balances due to related parties and non-controlling interests.

Other segment information

Continuing Operations

For the year ended 31 December 2013

	Waste-to-energy project construction and operation *RMB'000*	Project technical and management service and EMC business *RMB'000*	Total *RMB'000*
Depreciation and amortisation	171,219	31	171,250
Additions to non-current assets *(Note)*	730,143	157	730,300
Impairment loss recognised on			
– Trade receivables	763	–	763
– Property, plant and equipment	2,405	–	2,405

For the year ended 31 December 2014

	Waste-to-energy project construction and operation	Project technical and management service and EMC business	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortisation	193,096	13,492	206,588
Additions to non-current assets *(Note)*	768,922	144,276	913,198
Reversal of impairment loss recognised on trade receivables	(1,590)	–	(1,590)

For the year ended 31 December 2015

	Waste-to-energy project construction and operation	Project technical and management service and EMC business	Total
	RMB'000	*RMB'000*	*RMB'000*
Depreciation and amortisation	206,080	20,525	226,605
Additions to non-current assets *(Note)*	919,075	30,890	949,965

Note: Non-current assets excluded those relating to discontinued operations and financial instruments.

Other segment information

Revenue from major products and services

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Continuing Operations			
Sales of electricity(1)	541,287	658,939	735,785
Sales of steam(1)	90,380	96,526	112,896
Revenue from waste treatment(1)	311,915	338,996	345,461
Service income	15,305	146,746	273,374
Revenue from construction services provided under service concession arrangements *(Notes 16 and 18)*	317,837	18,272	102,489
Financial income under service concession arrangements(2) *(Note 18)*	–	10,178	18,134
	1,276,724	1,269,657	1,588,139
Discontinued Operations			
Sales of electricity	161,567	68,375	–
Sales of steam	201,202	97,156	–
	362,769	165,531	–
	1,639,493	1,435,188	1,588,139

(1) Included in the sales of electricity and steam and revenue from waste treatment are operating and maintenance income under service concession arrangements amounting to RMB35,305,000, RMB55,111,000, and RMB112,702,000 for the years ended 31 December 2013, 2014 and 2015 respectively.

(2) Effective interest applied is 8.6% and ranges from 7.7% to 8.6% for the year ended 31 December 2014 and 2015 respectively.

Geographical information

All of the Group's revenue is generated from sales and rendering services in the PRC based on where goods are sold or services are rendered, and all of the Group's identifiable assets and liabilities are located in the PRC.

Information about major customers

Waste-to-energy project construction and services

Customers of the Group mainly consists of regional state-owned grid companies, local government environmental sectors and certain manufacturing companies whose production relies on the supply of electricity and steam by the Group.

Revenue from a major customer account for approximately 10.5%, 13.8% and 13.6% of the Group's revenue for the Relevant Periods.

Other than the above, no single customer accounted for 10% or more of the Group's revenue during the Relevant Periods.

Project technical and management services and EMC business

In 2015, a customer accounts for approximately 13.9% of the Group's revenue.

Other than the above, no single customer accounted for 10% or more of the Group's revenue during the Relevant Periods.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Continuing Operations			
Other income:			
Government grant *(Note i)*	12,842	39,693	84,735
Bank interest income	1,842	901	1,977
	14,684	40,594	86,712
Other gains and losses:			
Gain on sales of scrap materials	6,095	6,211	7,880
Gain on disposal of assets classified as held for sale *(Note 23)*	5,679	–	–
Loss on disposal of property, plant and equipment	(6,042)	(982)	(11)
Gain on insurance indemnities	–	3,500	–
Impairment (losses)/reversal recognised on			
– Trade receivables	(763)	1,590	–
– Property, plant and equipment	(2,405)	–	–
Others	(617)	(169)	564
	1,947	10,150	8,433
Total	16,631	50,744	95,145

Note i: The government grants represented the government incentive funds and government subsidies received from the local government by the PRC operating entities of the Group. During the years ended 31 December 2013, 2014 and 2015, government grants included: (a) the incentive for waste-to-energy business development to enterprises established in the PRC which amounted to RMB10,434,000, RMB37,197,000 and RMB82,081,000, respectively; and (b) the subsidies received on acquisition of properties, plant and equipment amortised to profit or loss which amounted to RMB2,408,000, RMB2,496,000 and RMB2,654,000, respectively.

9. FINANCE COSTS

Continuing Operations

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Interest on borrowings	72,040	89,509	118,725
Interest on obligations under finance leases *(Note 27)*	2,139	693	15,303
Total interest expenses	74,179	90,202	134,028
Less: capitalised interest	(922)	(6,485)	(9,948)
	73,257	83,717	124,080

For the years ended 31 December 2013, 2014 and 2015, borrowing costs capitalised are calculated by applying a capitalisation rate of 7.21%, 6.77% and 6.26% per annum to expenditure on property, plant and equipment, respectively.

10. INCOME TAX EXPENSE

Continuing Operations

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax	39,099	80,420	137,872
(Over) Underprovision in the prior years	(13,468)	350	(2,092)
	25,631	80,770	135,780
Deferred tax *(Note 29)*:			
Current year charge	33,764	36,662	41,289
Withholding tax	–	8,970	–
Income tax expense	59,395	126,402	177,069

No provision for income tax has been made for the Company (incorporated in the Cayman Islands), Lamoon Holdings (incorporated in the BVI) and Sunrise Development (incorporated in Samoa) as they are not subject to any income tax.

No provision for Hong Kong's profit tax has been made for the group entities, as there is no assessable profit derived from Hong Kong.

(1) Kunming Jinjiang was entitled to an exemption from PRC enterprise income tax for three years starting from 2008, followed by a 50% tax relief for the next three years. Accordingly the applicable income tax rate was 12.5% for the year ended 31 December 2013. Subsequently, Kunming Jinjiang was entitled to a 40% tax relief for seven years starting from 2014. Accordingly the applicable income tax rate was 15% for the years ended 31 December 2014 and 2015.

(2) Zibo Jinjiang is regarded as qualified environmental protection enterprise by the local government authorities and was entitled to an exemption from PRC enterprise income tax for two years starting from 2007, followed by a 50% tax relief for the next three years, according to the relevant tax rules. However, Zibo Jinjiang only applied for exemption from PRC enterprise income tax in 2008. Accordingly the applicable tax rates were 25% from 2013 towards.

(3) Hankou Jinjiang is regarded as qualified environmental protection enterprise by the local government authorities and entitled to an exemption from PRC enterprise income tax for three years starting from 2010, followed by a 50% tax relief for the next three years, according to the relevant tax rules. Accordingly the applicable tax rate was 12.5% for each of the years ended 31 December 2013 and 2014 and 2015.

(4) Wuhan Jinjiang is regarded as qualified environmental protection enterprise by the local government authorities and was entitled to an exemption from PRC enterprise income tax for three years starting from 2010, followed by a 50% tax relief for the next three years, accordingly, the applicable tax rates was 12.5% for each of the years ended 31 December 2013 and 2014 and 2015.

(5) Suihua New Energy is regarded as a qualified environmental protection enterprise by the local government authorities and is entitled to an exemption from PRC enterprise income tax for three years starting from 2015, followed by a 50% tax relief for the next three years, according to the relevant tax rules. Accordingly, Suihua New Energy was entitled to tax exemption in 2015.

(6) Lianyungang Sunrise is regarded as a qualified environmental protection enterprise by the local government authorities and was entitled to an exemption from PRC enterprise income tax for three years starting from 2010, followed by a 50% tax relief for the next three years, according to the relevant tax rules. Accordingly, the applicable tax rate was 12.5% for each of the years ended 31 December 2013, 2014 and 2015.

(7) Yunnan Energy is regarded as a qualified environmental protection enterprise by the local government authorities and was entitled to an exemption from PRC enterprise income tax for three years starting from 2012, followed by a 50% tax relief for the next three years, according to the relevant tax rules. Accordingly, Yunnan Energy was entitled to tax exemption for the years ended 31 December 2013 and 2014, the applicable tax rate was 12.5% for the year ended 31 December 2015.

(8) Other subsidiaries of the Group located in the PRC were all taxed at 25% for the PRC enterprise income tax.

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The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of comprehensive income as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax from continuing operations	291,738	452,322	582,699
Tax at domestic tax rate of 25%	72,934	113,080	145,675
Tax effect of expenses not deductible for tax purposes	2,093	2,341	935
(Over) Under provision in the prior years	(13,468)	350	(2,092)
Tax effect of tax losses/deductible temporary differences not recognised	16,453	15,400	50,777
Utilisation of tax losses/deductible temporary differences previously not recognised	(8,496)	(5,649)	(14,000)
Withholding tax for provision on dividends from PRC subsidiaries	–	8,970	–
Effect of tax exemptions granted to PRC subsidiaries	(10,121)	(8,090)	(4,226)
Income tax expense for the year	59,395	126,402	177,069

11. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

Profit and total comprehensive income for the year has been arrived at after charging (crediting):

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Staff costs (including directors' emoluments):			
– Salaries and other benefits	81,239	97,410	132,717
– Retirement benefits scheme contributions	6,103	6,971	8,701
Total staff costs	87,342	104,381	141,418
Cost of inventories recognised as expense	224,119	213,658	249,984
Depreciation of property, plant and equipment	154,495	185,982	200,237
Amortisation of prepaid leases	6,360	10,132	10,843
Amortisation of intangible assets	10,395	10,474	15,525
Total depreciation and amortisation	171,250	206,588	226,605
Impairment loss recognised/(reversed) on			
– Trade receivables	763	(1,590)	–
– Property, plant and equipment	2,405	–	–
	3,168	(1,590)	–
Gain on disposal of assets classified as held for sale *(Note 23)*	5,679	–	–
Loss on disposal of property, plant and equipment	(6,042)	(982)	(11)

12. PROFIT FOR THE YEAR FROM DISCONTINUED OPERATION

On 29 May 2013, the Group entered into a compensation agreement with the local government in Jiaxing, the PRC, pursuant to which Jiaxing Jinjiang was required to transfer the prepaid lease payments and certain pipeline assets classified as property, plant and equipment (the "**Properties**") to the local government for the purpose of city planning and redevelopment (the "**Agreement**"). Jiaxing Jinjiang was engaged in the operation of the thermal electricity generation plant in Jiaxing, the PRC.

In accordance with the Agreement, Jiaxing Jinjiang fully terminated its operations as at 30 June 2014 and completed the handover of the Properties to the local government as at 31 December 2014. Jiaxing Jinjiang received a consideration of RMB242,860,000 as part of the compensation from the local government in 2014.

The Properties as at 31 December 2013 was classified as "assets classified as held for sale" (Note 23).

The above termination was considered as discontinued operation. The profit for the year from the discontinued thermal power plant is set out below. The comparative figures in the consolidated statements of comprehensive income have been restated accordingly.

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Profit of thermal power project operation for the year	51,295	37,029	–
Income tax expense for the year	(17,345)	(22,791)	–

The profit for the year ended 31 December 2014 from the discontinued thermal power project operation is set out below. The comparative figures in the consolidated statements of comprehensive income have been restated accordingly to present the discontinued operation.

	Year ended 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year from discontinued operation:			
Revenue	362,769	165,531	–
Cost of sales	(281,287)	(121,953)	–
Other income	7,258	40,224	–
Expenses	(10,061)	(20,193)	–
Finance costs	(10,039)	(3,789)	–
Profit before tax	68,640	59,820	–
Income tax expense	(17,345)	(22,791)	–
Profit for the year from discontinued operation	51,295	37,029	–
Profit and total comprehensive income for the year has been arrived at after charging (crediting):			
Depreciation of property, plant and equipment	24,651	10,253	–
Amortisation of prepaid leases	231	–	–
Employee benefit expenses	9,187	13,273	–
Allowance for trade and other receivables	990	–	–
Gains on disposal of assets classified as held-for-sale	–	9,090	–
Gains on disposal of property, plant and equipment	–	18,435	–
Cost of inventories recognised as expense	242,857	107,782	–
Cash flows from discontinued operation:			
Net cash inflows from operating activities	139,433	31,360	–
Net cash inflows from investing activities	38,823	302,383	–
Net cash outflows from financing activities	(167,349)	(371,076)	–
Net cash inflows (outflows)	10,907	(37,333)	–

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13. EARNINGS PER SHARE

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

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
From continuing and discontinued operations			
Earnings (RMB'000)			
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	277,231	361,244	404,609
Number of shares ('000)			
Number of ordinary shares for the purpose of basic and diluted earnings per share*	1,000,000	1,000,000	1,000,000

* Based on the number of ordinary shares following the Share Split and immediately prior to the Offering.

From continuing operations

The calculation of basic and diluted earnings per share from continuing operations attributable to the owners of the Company are based on the following data:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to the owners of the Company	277,231	361,244	404,609
Less: profit for the year from discontinued operations	(44,704)	(32,271)	–
Profit for the purpose of basic and diluted earnings per share from continuing operations	232,527	328,973	404,609

The denominators used are the same as those details above for basic earnings per share from continuing and discontinued operation.

From discontinued operation

Basic and diluted loss per share from the discontinued operations is RMB4.5 cents, RMB3.2 cents and nil cents per share for the years ended 31 December 2013, 2014 and 2015, respectively.

The fully diluted earnings per share and basic earnings per share are the same because there is no dilutive share.

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14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2013	1,194,060	2,439,259	8,068	10,494	533,627	4,185,508
Additions	71,839	121,884	1,183	1,868	216,778	413,552
Transfer	189,413	335,437	–	-	(524,850)	–
Disposals	(600)	(11,287)	(48)	(181)	–	(12,116)
Reclassified as assets classified as held for sale *(Note 23 (ii))*	–	(27,991)	–	–	–	(27,991)
At 31 December 2013	1,454,712	2,857,302	9,203	12,181	225,555	4,558,953
Additions	14,767	124,867	5,109	2,347	728,757	875,847
Transfer	49,577	196,690	–	-	(246,267)	–
Disposals	(131,215)	(387,763)	(2,218)	(1,008)	–	(522,204)
At 31 December 2014	1,387,841	2,791,096	12,094	13,520	708,045	4,912,596
Additions	8,662	31,258	6,167	1,705	686,169	733,961
Transfer	318,028	539,363	–	-	(857,391)	–
Disposals	–	–	–	(302)	–	(302)
At 31 December 2015	1,714,531	3,361,717	18,261	14,923	536,823	5,646,255
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	231,216	670,701	4,676	3,197	–	909,790
Depreciation for the year	51,469	125,718	605	1,354	–	179,146
Disposals	(257)	(5,200)	(44)	(318)	–	(5,819)
Impairment losses recognised for the year	–	2,405	–	–	–	2,405
Reclassified as assets classified as held for sale *(Note 23 (ii))*	–	(11,131)	–	–	–	(11,131)
At 31 December 2013	282,428	782,493	5,237	4,233	–	1,074,391
Depreciation for the year	52,180	140,995	1,178	1,882	–	196,235
Disposals	(78,867)	(230,980)	(1,926)	(768)	–	(312,541)
At 31 December 2014	255,741	692,508	4,489	5,347	–	958,085
Depreciation for the year	51,891	144,495	1,889	1,962	–	200,237
Disposals	–	–	–	(287)	–	(287)
At 31 December 2015	307,632	837,003	6,378	7,022	–	1,158,035
CARRYING VALUES						
At 31 December 2013	1,172,284	2,074,809	3,966	7,948	225,555	3,484,562
At 31 December 2014	1,132,100	2,098,588	7,605	8,173	708,045	3,954,511
At 31 December 2015	1,406,899	2,524,714	11,883	7,901	536,823	4,488,220

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Certain of the Group's interest-bearing bank and other borrowings were secured by certain of the Group's buildings and machinery, which had an aggregate carrying amount of RMB10,236,000 and RMB603,846,000 and RMB578,485,000 as at 31 December 2013, 2014 and 2015, respectively (Note 26).

As at 31 December 2013, 2014 and 2015, respectively, certain plant and machinery of the Group with an aggregate carrying amount of RMB182,429,000, nil and RMB563,473,000 are held under finance leases (Note 27).

As at 31 December 2013, 2014 and 2015, property certificates in respect of land on which buildings with a carrying amount of RMB682,451,000, RMB506,992,000 and RMB772,634,000 respectively are located have not been obtained. The Group is in the process of applying for the property certificates and such certificates will be obtained in due course. As advised by the Group's PRC legal advisor, management is of the opinion that the Group legally owns the rights to use these properties.

Subsequent to 2015, the Group has obtained property certificates amounting to RMB241,348,000.

During the year ended 31 December 2013, impairment on the plant and machinery used for the electricity generation amounting to RMB2,405,000 was recorded under administrative expenses in profit or loss.

15. PREPAID LEASES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
The carrying value of land use rights comprised:			
Leasehold land in the PRC under medium-term lease *(Note)*	248,594	252,545	262,438
Analysed for reporting purposes as:			
Current asset	9,808	10,132	10,843
Non-current asset	238,786	242,413	251,595
	248,594	252,545	262,438

Note: During the year ended 31 December 2013, the Group entered into a Compensation Agreement with the local government, under which the Group was required to complete the transfer of land use rights for a piece of land located in Jiaxing, the PRC to the local government for city planning and redevelopment purpose prior to 31 December 2014. As at 31 December 2013, the carrying value of the land amounting to RMB7,697,000 was reclassified to "assets classified as held for sale" in Note 23 accordingly.

Prepaid lease payments represent land use rights located in the PRC and are amortised over the lease term of 30-50 years.

As at 31 December 2013, 2014 and 2015, respectively, certain of the Group's borrowings were secured by the Group's prepaid lease with aggregate carrying amount of RMB38,846,000 and RMB37,887,000 and RMB70,094,000 respectively (Note 26).

As at 31 December 2013, 2014 and 2015, land use right certificates in respect of prepaid lease with a carrying amount of RMB89,113,000, RMB90,260,000 and RMB80,977,000 have not been obtained respectively. The Group is in the process of applying for the land use right certificates and such certificates will be obtained in due course.

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16. INTANGIBLE ASSETS

	Software	Service concession arrangement	Total
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Cost			
At 1 January 2013	67	314,461	314,528
Additions	517	200,442	200,959
At 31 December 2013	584	514,903	515,487
Additions	5,315	17,958	23,273
At 31 December 2014	5,899	532,861	538,760
Additions	8,046	187,222	195,268
At 31 December 2015	13,945	720,083	734,028
Amortisation			
At 1 January 2013	28	10,356	10,384
Amortisation	39	10,356	10,395
At 31 December 2013	67	20,712	20,779
Amortisation	118	10,356	10,474
At 31 December 2014	185	31,068	31,253
Amortisation	834	14,691	15,525
At 31 December 2015	1,019	45,759	46,778
Carrying amounts			
At 31 December 2013	517	494,191	494,708
At 31 December 2014	5,714	501,793	507,507
At 31 December 2015	12,926	674,324	687,250

The Group entered into service concession agreements with the local government authorities (the "**Grantors**"), pursuant to the design, construction, operation and maintenance of waste-to-energy plants during the concession period ranging from 28 years to 30 years, starting from the commencement date of commercial operation.

Service concession construction revenue (as detailed in Note 7) recorded during the Relevant Periods represents the revenue recognised during the construction stage of the service concession period.

The right that the Group has received to charge for the sale of electricity and waste treatment has been recognised as an intangible asset at the fair value of the construction services provided and is amortised over the operating period of the waste-to-energy plant on a straight-line basis from the date on which the waste-to-energy plant commences operation.

The Group's intangible assets amounting to RMB289,910,000, RMB279,554,000 and RMB269,198,000 as at 31 December 2013, 2014 and 2015 respectively, were pledged as collaterals against general loan facilities granted to the Group (Note 26).

17. INVESTMENT IN AN ASSOCIATE

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Cost of investment in an associate	–	–	43,804

In October 2015, the Group has acquired 45% equity interest in Yueyang Sunrise Environmental Protection Industry Co., Ltd. ("**Yueyang Sunrise**") for a consideration of RMB43,804,000, which was based on the fair value of Yueyang Sunrise at the date of acquisition, from an independent party. Yueyang Sunrise is involved in the operation of waste-to-energy plant and sales of steam in the PRC. As at 31 December 2015, Yueyang Sunrise was at initial construction stage and the profit or loss for the financial year ended 31 December was insignificant.

The Group's interest in Yueyang Sunrise is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Yueyang Sunrise:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	–	–	94,510
Non-current assets	–	–	16,092
Current liabilities	–	–	13,260
Net assets	–	–	97,342
Proportion of Group's ownership	–	–	45%
Carrying amount of the Group's interest in Yueyang Sunrise	–	–	43,804

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18. SERVICE CONCESSION RECEIVABLES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Service concession receivables	118,318	135,299	186,518
Less: Amounts due within one year shown under current assets	–	(7,425)	(14,850)
Service concession receivables due after one year	118,318	127,874	171,668

Provision for major overhauls

Pursuant to the service concession agreements, the Group has contractual obligations to maintain the facilities to a specified level of serviceability and/or to restore the plants to a specified condition before they are handed over to the grantors at the end of the service concession periods. These contractual obligations except for any upgrade element, are recognised and measured at the best estimate of the expenditure that would be required to settle the present obligation at the end of the reporting period. The future expenditure on these maintenance and restoration costs is collectively referred to as "major overhauls". The estimation basis is reviewed on an ongoing basis, and revised where appropriate.

Movements in provision and the balances of the liabilities for major overhauls are as follows:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year	3,840	3,840	3,840
Provision made during the year	–	–	4,056
At end of the year	3,840	3,840	7,896

19. INVENTORIES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Coal	42,081	26,785	21,728
Spare parts and other raw materials	11,002	9,973	13,337
	53,083	36,758	35,065

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20. TRADE AND OTHER RECEIVABLES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	329,977	331,261	324,376
Less: Allowances for doubtful debts	(5,343)	(3,753)	(764)
Bills receivables	54,230	27,250	8,300
Total trade and bills receivables	378,864	354,758	331,912
Advances to suppliers *(Note i)*	26,272	14,277	18,579
Other receivables			
– Loan receivables *(Note ii)*	9,914	9,736	12,360
– Staff advances	3,934	2,389	8,555
– Deposit receivables	32,350	43,320	18,573
– Deposit paid for investments *(Note iii)*	10,000	10,000	–
– Deposits paid under long-term finance leases	–	–	55,995
– Others	254	15	434
Sub-total of other receivables	56,452	65,460	95,917
Prepaid expenses	6,505	6,727	18,065
Total trade and other receivables	468,093	441,222	464,473
Analysed for reporting purposes as:			
Current asset	458,093	441,222	408,478
Non-current assets	10,000	–	55,995
	468,093	441,222	464,473

Notes:

(i) Advances to suppliers are unsecured, interest free and will be settled upon receipt of inventories in order.

(ii) The loan receivables as at 31 December 2013, 2014 and 2015 were interest-free, unsecured with no fixed repayment term.

(iii) On 26 October 2010, the Group paid RMB10,000,000 to a third party for the investment in plants which was interest-free and would be settled together with the consideration payables or refunded if the transaction is finally cancelled. As at December 2015, the transaction has been completed.

As at 31 December 2013 and 2014 and 2015, the balances due from 2, 3 and 4 customers who individually accounted for 5% or more of the total balance of trade receivables amounted to RMB136,662,000, RMB163,780,000 and RMB193,069,000, respectively.

The average credit period granted by the Group on the sale of electricity, steam, waste treatment and rendering of services is 60 to 120 days.

The following is an aged analysis of trade receivables and bills receivable at the end of the reporting period, net of allowance for doubtful debts:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables			
Not past due and not impaired[(i)]	297,975	238,746	289,674
Past due but not impaired[(ii)]	80,889	116,012	42,238
	378,864	354,758	331,912

(i) There has been no significant change in credit quality of the trade and bill receivables that are not past due and not impaired.

(ii) Aging of trade and bills receivables which are past due but not impaired:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within 60 days	22,719	26,821	6,542
60 days to 90 days	2,542	1,467	2,455
90 days to 120 days	3,146	3,169	1,812
Over 120 days	52,482	84,555	31,429
	80,889	116,012	42,238

Trade and other receivables are mainly amounts due from local electrical power bureau and local government sectors for the sale of electricity and waste treatment. Management considered that such balances were not impaired and the amounts are considered recoverable by reference to historical payment pattern of the counterparties. The Group does not hold any collateral over these balances.

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Movement in the allowance for doubtful debts:

	At 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Balance at beginning of the year	3,590	5,343	3,753
Impairment losses recognised (reversed)	1,753	(1,590)	–
Written off	–	–	(2,989)
Balance at end of year	5,343	3,753	764

As at each of the three years ended 31 December 2013, 2014 and 2015, included in the allowance for doubtful debts are individually impaired trade receivables related to customers that were in financial difficulties and only a portion of the receivables is expected to be recovered.

21. OTHER TAX RECOVERABLE

	At 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Value added tax	58,348	73,032	72,380
Others	2	–	–
	58,350	73,032	72,380

22. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

The Group's bank balances and pledged bank deposits, carry interest at market rates, which is approximately 0.35% per annum for the years ended 31 December 2013, 2014 and 2015.

The Group's deposits pledged for bills accepted by banks amounted to RMB70,000,000 and RMB45,000,000 as at 31 December 2013 and 2014 respectively.

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23. ASSETS CLASSIFIED AS HELD FOR SALE

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Assets classified as held for sale related to the discontinued operation *(Note i)*	24,557	–	–

Note:

(i) The amount included the carrying values of prepaid lease of RMB7,697,000 (Note 15) and property, plant and equipment of RMB16,860,000 (Note 14) in respect of the discontinued operation as described in Note 12.

24. TRADE AND OTHER PAYABLES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Trade payables	58,538	74,505	110,491
Bills payables	70,000	45,000	–
Total trade and bills payable	128,538	119,505	110,491
Construction and equipment payables	207,242	364,573	346,095
Deposits received from customers	8,773	8,329	6,756
Accrued payroll and welfare	17,595	15,899	18,719
Accrued expenses	5,436	15,998	7,682
Deposits received for assets classified as held for sales *(Notes 12 and 23)*	10,000	–	–
Consideration payables for acquisition of subsidiaries *(Note 33)*	35,000*	35,000*	56,220
Others	47,124	21,305	28,145
Total trade and other payables	459,708	580,609	574,108

* Included in the consideration payable is a balance amounting to RMB5,000,000 for acquisition of a subsidiary in 2011. The amount was paid during the year ended 31 December 2015.

25. OTHER TAX LIABILITIES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Value added tax	8,074	14,435	20,900
Business tax	–	428	1,607
Others	8,822	7,142	7,371
	16,896	22,005	29,878

26. BORROWINGS

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Guaranteed bank loans *(Note i)*	743,670	536,380	458,200
Secured and guaranteed bank loans *(Notes i and ii)*	285,000	963,000	1,207,330
Secured bank loans *(Note ii)*	25,000	–	–
Secured other borrowings *(Note iii)*	82,142	22,926	–
Secured and guaranteed other borrowings *(Notes i and iii)*	–	–	131,224
Entrusted Loans *(Note iv)*	–	340,000	400,000
Unsecured other borrowings *(Note v)*	12,600	10,740	8,880
	1,148,412	1,873,046	2,205,634
The bank borrowings comprise:			
Fixed-rate borrowings	416,000	610,000	648,000
Variable-rate borrowings	732,412	1,263,046	1,557,634
	1,148,412	1,873,046	2,205,634

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	At 31 December		
	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings repayable:			
Within one year	629,389	843,542	534,388
Over one year, but not exceeding two years	129,963	245,406	751,047
Over two year, but not exceeding five years	296,495	610,335	596,499
Over five years	92,565	173,763	323,700
	1,148,412	1,873,046	2,205,634
Less: Amount due within one year shown under current liabilities	(629,389)	(843,542)	(534,388)
Amounts shown under non-current liabilities	519,023	1,029,504	1,671,246

Notes:

(i) Borrowings are secured by guarantees mainly from companies in which a controlling shareholder has control over.

(ii) As at 31 December 2013, 2014 and 2015, the bank loans of RMB310,000,000, RMB235,000,000 and RMB422,700,000 were secured by certain property, plant and equipment and prepaid leases (Notes 14 and 15) respectively.

As at 31 December 2014 and 2015, the bank loans of RMB200,000,000 and RMB356,000,000 were secured by the pledge of electricity tariffs receivables of subsidiaries.

As at 31 December 2014 and 2015, the bank loans of RMB178,000,000 and RMB148,630,000 were secured by the pledge of electricity tariffs receivables, certain property, plant and equipment of a subsidiary (Note 14) respectively.

As at 31 December 2014 and 2015, bank loans of RMB350,000,000 and RMB280,000,000 are secured by equity interest of 5 subsidiaries and certain property, plant and equipment of 2 subsidiaries (Note 14) respectively.

(iii) As at 31 December 2013 and 2014, loans from other financial institutions of RMB82,142,000 and RMB22,926,000 are repayable by instalments over three years from September 2012 at a fixed interest rate at 6.93% per annum. As at 31 December 2015, bank loans of RMB131,224,000 are repayable by instalments over three years from November 2015 at a variable interest rate, approximately 10.48% at the end of 2015. The borrowings were secured by the Group's intangible assets (Note 16).

(iv) As at 31 December 2014 and 2015, the entrusted loans of RMB340,000,000 and RMB400,000,000 are repayable in full in December 2015 and January 2017 at a fixed interest rate of 6.15% and 4.75% per annum.

(v) As at 31 December 2013, 2014 and 2015, borrowings of RMB12,600,000, RMB10,740,000 and RMB8,880,000 are repayable over fifteen years at a variable interest rate at approximately 3.50% per annum. These contracted interest rates are based on floating market rates pegged to the People's Bank of China ("**PBOC**") rate and are repriced on an annual basis.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Effective interest rate:			
Fixed-rate borrowings	6.16% to 7.87%	5.88% to 7.50%	4.75% to 7.50%
Variable-rate borrowings	3.53% to 7.21%	3.28% to 7.38%	3.28% to 10.48%

27. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain plant and machinery under finance leases through sale and lease back arrangements. The lease terms are five years starting from 2009 and three to five years starting from 2015. The interest rates underlying the obligations under finance leases are fixed at 6.09% to 10.74% per annum throughout the lease term. The Group has options to purchase the equipment without any extra charges and for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

The Group had obligations under finance leases repayable as follows:

	Minimum lease payments At 31 December			Present value of minimum lease payments At 31 December		
	2013	**2014**	**2015**	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group						
Amounts payable under finance leases:						
Within one year	57,064	–	153,710	55,121	–	115,931
In more than one year but within two years	–	–	153,710	–	–	124,821
In more than two years but within five years	–	–	351,498	–	–	318,891
	57,064	–	658,918	55,121	–	559,643
Less: Future finance charges	(1,943)	–	(99,275)	N/A	–	N/A
Present value of lease obligations	55,121	–	559,643	55,121	–	559,643
Less: Amount due for settlement within 12 months (shown under current liabilities)				(55,121)	–	(115,931)
Amount due for settlement after 12 months				–	–	443,712

As at 31 December 2013 and 2015, the obligations under finance leases of RMB55,121,000 and RMB379,202,000 respectively are secured by certain property, plant and equipment (Note 14) and corporate guarantee by the companies controlled by a controlling shareholder.

As at 31 December 2015, the obligation under finance leases of RMB180,441,000 is secured by certain property, plant and equipment (Note 14) and equity interest of a subsidiary and concurrently guaranteed by a company controlled by a controlling shareholder.

28. DIVIDENDS PAYABLE

Dividends payable represents dividends due to the then immediate holding company before the Reorganisation Exercise.

29. DEFERRED TAX LIABILITIES

	Fair value adjustment on acquisition of subsidiaries	**Accelerated tax depreciation**	**Profit recognised on construction services provided under service concession arrangements**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
At 1 January 2013	6,313	101,145	6,976	114,434
(Credit) charge to profit or loss *(Note 10)*	(293)	25,432	8,373	33,512
At 31 December 2013	6,020	126,577	15,349	147,946
(Credit) charge to profit or loss *(Note 10)*	(300)	10,251	2,821	12,772
At 31 December 2014	5,720	136,828	18,170	160,718
Acquisition of subsidiary	–	–	1,604	1,604
(Credit) charge to profit or loss *(Note 10)*	(306)	34,288	7,307	41,289
At 31 December 2015	5,414	171,116	27,081	203,611

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The deferred tax liabilities reflected the tax rates that are expected to apply in the respective periods when the liabilities are expected to be settled.

At 31 December 2013, 2014 and 2015, the Group has unused tax losses of approximately RMB178,262,000, RMB199,187,000 and RMB218,619,000 respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of those tax losses due to no certainty of the tax losses being utilised.

The unrecognised tax losses will expire in the following years:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
2014	5,697	–	–
2015	31,882	28,525	–
2016	40,472	33,883	32,932
2017	42,165	42,165	31,273
2018	58,046	49,175	34,213
2019	–	45,439	45,439
2020	–	–	74,762
	178,262	199,187	218,619

At 31 December 2013 and 2014 and 2015, the Group has deductible temporary differences of RMB26,620,000, RMB22,529,000 and RMB93,697,000, respectively. No deferred tax asset has been recognised in relation to such deductible temporary differences due to no certainty of the deductible temporary differences being utilised.

At 31 December 2013, 2014 and 2015, temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised are RMB841,634,000, RMB1,182,092,000 and RMB1,508,504,000, respectively. No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

30. DEFERRED GRANT

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Grant received in advance	43,930	39,507	119,659
Analysed as:			
Current liabilities	2,628	1,966	33,484
Non-current liabilities	41,302	37,541	86,175
	43,930	39,507	119,659

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31. SHARE CAPITAL

	At 31 December 2013	2014	2015
	Number of ordinary shares		
At beginning of year	10,000,000	10,000,000	10,000,001
Issued and paid up during the year	–	1	–
At end of year	10,000,000	10,000,001	10,000,001

Fully paid ordinary shares have a par value of US$0.001 each, carry one vote per share and carry a right to dividend, amounting to RMB67,000 as at the end of each Relevant Period.

32. NON-CONTROLLING INTERESTS

The table below shows details of subsidiaries of the Group with significant non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests At 31 December			Profit(loss) allocated to non-controlling interests Year ended 31 December			Accumulated non-controlling interests At 31 December		
		2013	2014	2015	2013	2014	2015	2013	2014	2015
		%	%	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Jiaxing Jinjiang	Jiaxing, the PRC	27.48	27.48	–	6,591	4,758	–	95,556	93,541	–
PLT Energy	Baotou, the PRC	58.06	58.06	58.06	(3,496)	(11,768)	(20,686)	86,085	74,317	53,631
Kunming Jinjiang	Kunming, the PRC	20.55	20.55	20.55	(1,234)	2,796	7,790	26,435	29,231	37,021
Individually immaterial subsidiaries with non-controlling interests					4,546	5,919	13,917	74,974	80,893	87,132
					6,407	1,705	1,021	283,050	277,982	177,784

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interests, before intra-group eliminations is set out below.

Jiaxing Jinjiang

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	465,624	487,473	–
Non-current assets	219,463	–	–
Current liabilities	(257,589)	(56,016)	–
Non-current liabilities	(26,299)	–	–
Equity attributable to owners of the Company	305,643	337,917	–
Non-controlling interests	95,556	93,541	–
Revenue	362,769	165,531	–
Expenses	(311,474)	(128,502)	–
Profit for the year	51,295	37,029	–
Profit attributable to owner of the Company	44,704	32,271	–
Profit attributable to non-controlling interests	6,591	4,758	–
Dividend paid to non-controlling interests	5,288	6,773	–
Net cash inflow from operating activities	139,433	31,360	–
Net cash inflow from investing activities	38,823	302,383	–
Net cash outflow from financing activities	(167,349)	(371,076)	–
Net cash inflow (outflow)	10,907	(37,333)	–

PLT Energy

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	48,210	107,224	93,033
Non-current assets	382,371	376,713	370,697
Current liabilities	(280,001)	(154,517)	(178,597)
Non-current liabilities	(2,310)	(201,419)	(192,760)
Equity attributable to owners of the Company	62,185	53,684	38,742
Non-controlling interests	86,085	74,317	53,631
Revenue	37,653	39,459	40,228
Expenses	(43,674)	(59,728)	(75,856)
Loss for the year	(6,021)	(20,269)	(35,628)
Loss attributable to owner of the Company	(2,525)	(8,501)	(14,942)
Loss attributable to non-controlling interests	(3,496)	(11,768)	(20,686)
Net cash (outflow) inflow from operating activities	(11,032)	(114,719)	21,715
Net cash outflow from investing activities	(51,166)	(28,568)	(19,490)
Net cash inflow (outflow) from financing activities	62,713	195,227	(31,020)
Net cash inflow (outflow)	515	51,940	(28,794)

Kunming Jinjiang

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	61,996	33,528	144,372
Non-current assets	281,049	267,439	252,696
Current liabilities	(204,754)	(147,032)	(56,337)
Non-current liabilities	(9,657)	(11,693)	(160,583)
Equity attributable to owners of the Company	102,199	113,011	143,127
Non-controlling interests	26,435	29,231	37,021
Revenue	55,056	69,040	108,796
Expenses	(61,063)	(55,432)	(70,890)
(Loss) Profit for the year	(6,007)	13,608	37,906
(Loss) Profit attributable to owner of the Company	(4,773)	10,812	30,116
(Loss) Profit attributable to non-controlling interests	(1,234)	2,796	7,790
Net cash inflow (outflow) from operating activities	44,456	36,988	(156,407)
Net cash outflow from investing activities	(11,582)	(7,365)	(810)
Net cash (outflow) inflow from financing activities	(32,436)	(30,546)	157,881
Net cash inflow (outflow)	438	(923)	664

The trade related balance are unsecured, interest free and with a credit period of 120 days from the invoice date.

At the end of each Relevant Period, the Group has the following balances with non-controlling interests:

The amounts due from non-controlling interests are as follows:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade related	8,012	5,174	5,568
Non-trade related	–	4,715	5,782
	8,012	9,889	11,350

The following is an aged analysis of trade receivables at the end of the reporting date.

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Not past due and not impaired[(i)]	5,317	5,174	5,568
Past due but not impaired[(ii)]	2,695	–	–
	8,012	5,174	5,568

(i) There has been no significant change in credit quality of the trade receivables that are not past due and not impaired.

(ii) Aging of receivables that are past due but not impaired:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	2,695	–	–

The management considered that such balances were not impaired and the amounts are considered recoverable counterparties, by reference to historical payment pattern. The Group does not hold any collateral over these balances.

The non-trade related balances due from non-controlling interests were unsecured, interest-free and repayable on demand.

33. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

Tianjin Sunrise

On 31 July 2013, the Group acquired the entire equity interests in Tianjin Sunrise for a cash consideration of RMB50,000,000 from non-related parties. Consideration of RMB20,000,000 was paid during the year and the remaining RMB30,000,000 was accounted for as consideration payables as at 31 December 2013.

Tianjin Sunrise is engaged in the operation of a waste-to-energy plant in Tianjin. The major assets of Tianjin Sunrise are the land use rights located in Tianjin and the property, plant and equipment. The waste-to-energy plant of Tianjin Xinxiang was put into commercial operation in 2009, however, the plant subsequently suspended its operation. After acquisition by the Group, the Group operated the plant with its own experienced management staff, reconstructed the generators and incinerators and enhanced the production capability with the technique and resources within the Group. Accordingly, the transaction has been accounted for as an acquisition of assets and liabilities.

The acquisition resulted in a net cash outflow of RMB19,324,000 for the year ended 31 December 2013.

Gaomi Lilangmingde

In September 2015, Hong Kong Lilangmingde Environmental Protection Technology Co., Ltd., an independent third party, transferred 100% of the equity interest in Gaomi Lilangmingde to Gevin for a consideration of RMB103,990,000, which was determined based on the registered capital of Gaomi Lilangmingde of US$16,500,000 at that time. Consideration of RMB47,770,000 was paid during the year and the remaining RMB56,220,000 was accounted for as consideration payables as at 31 December 2015 (Note 24).

Upon completion of the aforementioned transfer in December 2015, Gevin held 100% of the equity interest in Gaomi Lilangmingde, and Gaomi Lilangmingde became a wholly-owned subsidiary of the Group.

Gaomi Lilangmingde is engaged in the operation of a waste-to-energy plant in Gaomi, Shandong Province. The major assets of Gaomi Lilangmingde are intangible assets, arising from the service concession arrangement. After acquisition by the Group, the Group will operate the plant with its own experienced management staff, reconstructed the generators and incinerators and enhance the production capability with the technique and resources within the Group. Accordingly, the transaction has been accounted for as an acquisition of assets and liabilities.

The acquisition resulted in a net cash outflow of RMB47,726,000 for the year ended 31 December 2015.

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34. OPERATING LEASES

The Group as lessee

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Minimum lease payments made under operating leases during the year in respect of land use rights	334	345	284

At the end of the reporting period, the Group has commitments for future minimum lease under non-cancellable operating leases which fall due as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	380	383	389
In the second to fifth years inclusive	1,765	1,782	1,800
Over five years	11,146	10,580	10,167
	13,291	12,745	12,356

Operating lease payments represent rental payable by the Group for certain land use rights with lease terms ranging from 30 to 50 years.

35. CAPITAL COMMITMENTS

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	214,604	107,584	120,011

36. CONTINGENT LIABILITIES

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of the bank loans granted to a third party	30,000	–	–

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37. RELATED PARTY BALANCES AND TRANSACTIONS

(a) During the Relevant Periods, in addition to elsewhere disclosed in the consolidated financial statements, the Group entered into the following significant transactions with related parties:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Companies in which a controlling shareholder has control over			
Purchases of materials	413,023	281,683	246,918
Rendering of technical and management services	(16,642)	(21,228)	(8,849)
Revenue from EMC business	–	(122,500)	(260,150)

The Group's credit policy is that the credit is offered to related companies following financial assessment and an established payment record.

At the end of each Relevant Period, the Group had the following balances with related parties:

Amounts due from companies in which a controlling shareholder has control over:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade	75,612	280,881	254,062
Non-trade[1]	571,562	121,554	101,163
	647,174	402,435	355,225

The non-trade amounts due from related parties were unsecured, interest-free and repayable on demand. Management has assessed that the amounts are not impaired.

Amounts due to companies in which a controlling shareholder has control over:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Trade	21,768	19,380	16,672
Non-trade[1]	1,047,742	476,701	27,089
	1,069,510	496,081	43,761

The trade amounts are unsecured, interest-free and with an average credit period of 6 months. The non-trade amounts are unsecured, interest-free and repayable on demand.

1. Included in the non-trade amounts due from/to companies in which a shareholder has control over are balances amounting to RMB44,514,000, RMB242,970,000 and RMB22,284,000 as at 31 December 2013, 2014 and 2015 respectively, which has been offset as they are subject to offsetting arrangements. The residual amounts shown above relate to those that are not in scope of the offsetting disclosures.

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Amounts due from companies in which a controlling shareholder has control over are unsecured, interest free and with a credit period of 3 months from the invoice date. The following is an aged analysis of trade receivables at the end of the reporting period.

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Not past due and not impaired[(i)]	64,583	268,952	121,968
Past due but not impaired[(ii)]	11,029	11,929	132,094
	75,612	280,881	254,062

(i) There has been no significant change in credit quality of the trade receivables that are not past due and not impaired.

(ii) Aging of receivables that are past due but not impaired:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	–	900	75,052
91 – 120 days	–	–	14,275
Over 120 days	11,029	11,029	42,767
	11,029	11,929	132,094

Included above are receivables with aggregate carrying amounts of RMB11,029,000, RMB11,929,000 and RMB132,094,000 as at 31 December 2013, 2014 and 2015, respectively, which are past due as at the reporting date. The management considered that such balances were not impaired and the amounts are considered recoverable by reference to historical payment pattern. The Group does not hold any collateral over these balances.

(b) Compensation of directors and key management personnel of the Group

The remuneration of directors and key management personnel during the Relevant Periods was as follows:

	Year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	3,643	3,747	3,862
Post-employment benefit	148	137	241
	3,791	3,884	4,103

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38. PLEDGE OF ASSETS

Save as the pledged bank deposits disclosed in Note 22, at the end of reporting period, the Group had pledged the following assets to banks as securities against general banking facilities and obligations under finance leases granted to the Group:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note 14)*	192,665	603,846	1,141,958
Prepaid lease *(Note 15)*	38,846	37,887	70,094
Intangible assets *(Note 16)*	289,910	279,554	269,198
	521,421	921,287	1,481,250

As at 31 December 2014 and 2015, the Group has pledged electricity tariffs receivables of 2 and 3 subsidiaries to banks for general banking facilities (Note 26) and its equity interest of a subsidiary for a sale and lease back arrangement. (Note 27)

As at 31 December 2014 and 2015, the Group has pledged equity interest of 5 subsidiaries to banks for general banking facilities. (Note 26)

In addition to the above, a pre-IPO investment agreement dated 29 September 2010 was entered into by Mr. Dou, Win Charm, Green Energy, the Company, Hangzhou Jinjiang Group, Radec XIX Ltd. ("**MKC**") and AEP Investments (Mauritius) Limited ("**Olympus**", together with MKC, collectively known as the "**PE Investors of Green Energy**"), pursuant to which the PE Investors would lend US$90,000,000 (approximately equivalent to RMB568,000,000) to Green Energy after the completion of the Reorganisation Exercise as stated in Note 1. The entire registered capital of the Group's interest in certain subsidiaries of the Group were pledged by the Group in favour of the PE Investors of Green Energy.

39. EVENTS AFTER THE END OF THE REPORTING PERIOD

Pursuant to written resolutions dated 29 June 2016, the shareholders at that time approved, among others, the following:

(a) the adoption by the Company of a new set of Articles of Association;

(b) the sub-division of each ordinary share in the capital of the Company into 100 shares (the "**Share Split**");

(c) the allotment and issue of the Cornerstone Shares (shares to be subscribed for by the Cornerstone Investors, namely Zhejiang United Investment (HK) Limited, HFI International (HK) Limited and CHINT Hong Kong American Investment Limited). The Cornerstone Shares, when issued and fully paid-up, will rank pari passu in all respects with the existing issued and fully paid-up shares;

(d) the adoption of the Jinjiang Environment Performance Share Plan and the authorisation of the directors to allot and issue shares upon the vesting of share awards granted under the Jinjiang Environment Performance Share Plan;

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(e) the authorisation to the directors to:

(i) (A) issue shares whether by way of rights, bonus or otherwise; and/or

(B) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such person(s) as the Directors may in their absolute discretion deem fit; and

(ii) (notwithstanding such authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while such authority was in force,

provided that:

(1) the aggregate number of shares issued pursuant to such authority (including shares issued in pursuance to any Instruments made or granted pursuant to this resolution), does not exceed 50.0% of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 20.0% of the total number of issued shares excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares post-offering following the close of the offering and the issue of the Cornerstone Shares and the Additional Shares (excluding treasury Shares), after adjusting for:

(aa) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time such authority is given; and

(bb) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by such authority, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association; and

(iv) (unless resolved or varied by the Company in general meeting) such authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier.

Pursuant to written resolutions dated 20 July 2016, the shareholders at that time approved, among others, the allotment and issue of the offering shares which are the subject of the offering and the Additional Shares (up to an aggregate of 13,862,800 shares representing 15.0% of the offering shares). The offering shares and the Additional Shares, when issued and fully paid-up, will rank pari passu in all respects with the existing issued and fully paid-up shares.

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CHINA JINJIANG FOR THE SECOND QUARTER AND HALF YEAR ENDED 30 JUNE 2016

Part I – Information Required for Announcements of Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Results

The board of directors of China Jinjiang Environment Holding Company Limited (the "**Company**") announces the unaudited financial results of the Company and its subsidiaries (the "**Group**") for the second quarter ("**2Q**") and half year ("**1H**") ended 30 June 2016.

1(a)(i) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group 2Q2016	**The Group 2Q2015**	**Change**	**The Group 1H2016**	**The Group 1H2015**	**Change**
	RMB'000	*RMB'000*	*+/(-) %*	*RMB'000*	*RMB'000*	*+/(-) %*
Revenue	528,712	416,713	26.9	1,034,751	791,504	30.7
Cost of sales	(287,390)	(210,290)	36.7	(585,255)	(393,134)	48.9
Gross profit	241,322	206,423	16.9	449,496	398,370	12.8
Other income and other gains and losses	28,747	15,756	82.5	64,180	21,172	203.1
Administrative expenses	(31,894)	(31,942)	(0.2)	(75,573)	(75,929)	(0.5)
Finance costs	(30,931)	(25,394)	21.8	(65,398)	(48,773)	34.1
Profit before tax	207,244	164,843	25.7	372,705	294,840	26.4
Income tax expense	(63,939)	(39,835)	60.5	(111,485)	(76,919)	44.9
Profit and total comprehensive income	143,305	125,008	14.6	261,220	217,921	19.9
Profit and total comprehensive income attributable to:						
– owners of the Company	140,443	121,343	15.7	256,047	212,080	20.7
– non-controlling interests	2,862	3,665	(21.9)	5,173	5,841	(11.4)
	143,305	125,008	14.6	261,220	217,921	19.9

1(a)(ii) Notes to the consolidated statement of comprehensive income

	The Group 2Q2016 *RMB'000*	The Group 2Q2015 *RMB'000*	Change *+/(-) %*	The Group 1H2016 *RMB'000*	The Group 1H2015 *RMB'000*	Change *+/(-) %*
Profit before tax has been arrived at after charging (crediting):						
Staff costs (including directors' emoluments)	39,447	32,450	21.6	83,318	68,432	21.8
Cost of inventories recognised as expense	52,607	62,045	(15.2)	110,177	120,057	(8.2)
Depreciation of property, plant and equipment	68,759	50,212	36.9	127,971	98,233	30.3
Amortisation of prepaid leases	2,715	2,786	(2.5)	5,422	5,374	0.9
Amortisation of intangible assets	5,163	2,660	94.1	10,195	5,281	93.1
Total depreciation and amortisation	76,637	55,658	37.7	143,588	108,888	31.9
Overprovision of tax in prior years	10,261	2,092	390.5	10,261	2,092	390.5
Government grants	26,755	13,718	95.0	60,074	16,883	255.8
Bank interest income	287	107	168.2	611	948	(35.5)
Gain (Loss) on disposal of property, plant and equipment	12	(7)	N/A.	12	(7)	N/A.
Gain on sales of scrap materials	1,693	1,938	(12.6)	3,483	3,348	4.0
Other income and other gains and losses	28,747	15,756	82.5	64,180	21,172	203.1

1(b)(i) A statement of financial position (for the issuer and the Group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group As at 30 June 2016 *RMB'000*	The Group As at 31 December 2015 *RMB'000*	The Company As at 30 June 2016 *RMB'000*	The Company As at 31 December 2015 *RMB'000*
Assets				
Non-current assets				
Property, plant and equipment	4,596,166	4,488,220	–	–
Prepaid leases	246,174	251,595	–	–
Intangible assets	882,172	687,250	–	–
Investment in an associate	43,804	43,804	–	–
Investment in subsidiaries	–	–	1,790,640	1,790,640
Service concession receivables	201,429	171,668	–	–
Other receivables	55,995	55,995	–	–
Total non-current assets	6,025,740	5,698,532	1,790,640	1,790,640
Current assets				
Inventories	32,488	35,065	–	–
Prepaid leases	10,843	10,843	–	–
Service concession receivables	20,252	14,850	–	–
Trade and other receivables	468,095	408,478	6,761	6,761
Other tax recoverable	111,138	72,380	–	–
Amounts due from related parties	79,843	355,225	–	–
Amounts due from non-controlling interests	6,268	11,350	–	–
Bank balances and cash	324,008	353,641	1,987	141
Total current assets	1,052,935	1,261,832	8,748	6,902
Total assets	7,078,675	6,960,364	1,799,388	1,797,542

	The Group As at 30 June 2016 *RMB'000*	The Group As at 31 December 2015 *RMB'000*	The Company As at 30 June 2016 *RMB'000*	The Company As at 31 December 2015 *RMB'000*
Current liabilities				
Trade and other payables	563,457	574,108	6	6
Amounts due to related parties	41,690	43,761	17,989	7,635
Income tax liabilities	67,993	93,027	–	–
Other tax liabilities	39,062	29,878	–	–
Dividends payable	1,397	1,397	–	–
Borrowings	624,258	534,388	–	–
Obligations under finance leases	142,523	115,931	–	–
Deferred grant	33,484	33,484	–	–
Total current liabilities	1,513,864	1,425,974	17,995	7,641
Net current liabilities	(460,929)	(164,142)	(9,247)	(739)
Total assets less current liabilities	5,564,811	5,534,390	1,781,393	1,789,901
Non-current liabilities				
Borrowings	1,411,797	1,671,246	–	–
Obligations under finance leases	423,832	443,712	–	–
Deferred tax liabilities	250,313	203,611	–	–
Deferred grant	90,703	86,175	–	–
Provision for major overhauls	7,896	7,896	–	–
Total non-current liabilities	2,184,541	2,412,640	–	–
Net assets	3,380,270	3,121,750	1,781,393	1,789,901
Capital and reserves				
Share capital	67	67	67	67
Reserves	3,221,963	2,943,899	1,781,326	1,789,834
Equity attributable to owners of the company	3,222,030	2,943,966	1,781,393	1,789,901
Non-controlling interests	158,240	177,784	–	–
Total equity	3,380,270	3,121,750	1,781,393	1,789,901

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2016		As at 31 December 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
553,138	71,120	531,592	2,796

Amount repayable after one year

As at 30 June 2016		As at 31 December 2015	
Secured	**Unsecured**	**Secured**	**Unsecured**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1,404,037	7,760	1,265,162	406,084

Details of any collaterals

The borrowings are secured by the pledge of electricity tariffs receivables, certain property, plant and equipment, prepaid leases and intangible assets.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	The Group 2Q2016 RMB'000	The Group 2Q2015 RMB'000	The Group 1H2016 RMB'000	The Group 1H2015 RMB'000
Operating activities				
Profit before tax	207,244	164,843	372,705	294,840
Adjustments for:				
Finance costs	30,931	25,394	65,398	48,773
Interest income	(3,515)	(9,023)	(7,067)	(12,774)
Depreciation of property, plant and equipment	68,759	50,212	127,971	98,233
Amortisation of prepaid leases	2,715	2,786	5,422	5,374
Amortisation of intangible assets	5,163	2,660	10,195	5,281
(Gain) Loss on disposal of property, plant and equipment	(12)	7	(12)	7
Deferred grant recognised	(8,544)	(633)	(16,471)	(1,253)
Operating cash flows before movements in working capital	302,741	236,246	558,141	438,481
Increase in trade and other receivables	(9,932)	(10,974)	(53,161)	(89,724)
Increase in service concession receivables	(16,213)	(5,301)	(35,163)	(11,183)
(Increase) Decrease in other tax recoverable	(14,520)	(13,531)	(38,758)	2,111
(Increase) Decrease in inventories	(4,813)	(8,382)	2,577	5,214
Increase in intangible assets	(95,269)	(30,101)	(205,116)	(42,686)
(Decrease) Increase in trade and other payables	(22,853)	20,747	(50,986)	13,421
Increase (Decrease) in other tax liabilities	2,901	(3,161)	9,184	(5,344)
Decrease (Increase) in amounts due from related parties	75,488	(77,850)	174,219	(110,511)
Decrease (Increase) in amounts due from non-controlling interests	355	(1,306)	(229)	(4,631)
(Decrease) Increase in amounts due to related parties	(19,054)	(2,975)	4,305	(5,213)
Cash generated from operations	198,831	103,412	365,013	189,935
Income tax paid	(42,055)	(10,420)	(89,816)	(31,113)
Net cash from operating activities	156,776	92,992	275,197	158,822

	The Group 2Q2016 *RMB'000*	The Group 2Q2015 *RMB'000*	The Group 1H2016 *RMB'000*	The Group 1H2015 *RMB'000*
Investing activities				
Interest received	287	314	611	955
Payments for property, plant and equipment and intangible assets	(90,241)	(109,134)	(197,532)	(244,780)
Proceeds from disposal of property, plant and equipment	17	–	17	–
Payment for prepaid leases	–	(12,858)	–	(18,039)
(Increase) Decrease in pledged bank deposits	–	(40,000)	–	5,000
Net cash used in investing activities	(89,937)	(161,678)	(196,904)	(256,864)
Financing activities				
Proceeds from borrowings	298,720	6,000	515,480	76,000
Proceeds from obligations under finance leases	68,515	25,200	68,515	120,000
Repayment of borrowings	(429,080)	(135,566)	(685,060)	(191,566)
Repayment of obligations under finance leases	(33,825)	(5,142)	(60,526)	(5,142)
Payment of finance costs	(32,925)	(27,423)	(71,059)	(51,294)
Advances/Repayment from related parties	4,359	562,828	126,008	890,147
Advances/Repayment to related parties	–	(416,506)	(22,284)	(804,227)
Deferred grants	20,000	–	21,000	–
Net cash flow (used in) from financing activities	(104,236)	9,391	(107,926)	33,918
Net decrease in cash and cash equivalent	(37,397)	(59,295)	(29,633)	(64,124)
Cash and cash equivalent at beginning of period	361,405	215,282	353,641	220,111
Cash and cash equivalent at end of period represented by bank balances and cash	324,008	155,987	324,008	155,987

1(d)(i) A statement (for the issuer and the Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to owners of the Company							
	Share capital	Capital reserve	Merger reserves	Statutory surplus reserve	Retained earnings	Subtotal	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group								
At 1 January 2016	67	1,143,659	(53,882)	31,488	1,822,634	2,943,966	177,784	3,121,750
Profit and total comprehensive income for the period	–	–	–	–	115,604	115,604	2,311	117,915
At 31 March 2016	67	1,143,659	(53,882)	31,488	1,938,238	3,059,570	180,095	3,239,665
At 1 April 2016	67	1,143,659	(53,882)	31,488	1,938,238	3,059,570	180,095	3,239,665
Profit and total comprehensive income for the period	–	–	–	–	140,443	140,443	2,862	143,305
Acquisition of non-controlling interests	–	–	22,017	–	–	22,017	(24,717)	(2,700)
At 30 June 2016	67	1,143,659	(31,865)	31,488	2,078,681	3,222,030	158,240	3,380,270
At 1 January 2015	67	1,280,932	(53,882)	19,257	1,291,018	2,537,392	277,982	2,815,374
Profit and total comprehensive income for the period	–	–	–	–	90,737	90,737	2,176	92,913
Appropriation to reserves	–	–	–	31,488	(31,488)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	(7,167)	(7,167)
Cessation of discontinued operations	–	(139,238)	–	(19,257)	158,495	–	(94,087)	(94,087)
At 31 March 2015	67	1,141,694	(53,882)	31,488	1,508,762	2,628,129	178,904	2,807,033
At 1 April 2015	67	1,141,694	(53,882)	31,488	1,508,762	2,628,129	178,904	2,807,033
Profit and total comprehensive income for the period	–	–	–	–	121,343	121,343	3,665	125,008
At 30 June 2015	67	1,141,694	(53,882)	31,488	1,630,105	2,749,472	182,569	2,932,041

	Attributable to owners of the Company			
	Share capital	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
At 1 January 2016	67	1,805,112	(15,278)	1,789,901
Loss and total comprehensive income for the period	–	–	(2,926)	(2,926)
At 31 March 2016	67	1,805,112	(18,204)	1,786,975
At 1 April 2016	67	1,805,112	(18,204)	1,786,975
Loss and total comprehensive income for the period	–	–	(5,582)	(5,582)
At 30 June 2016	67	1,805,112	(23,786)	1,781,393
At 1 January 2015	67	1,805,112	(14,353)	1,790,826
Loss and total comprehensive income for the period	–	–	(53)	(53)
At 31 March 2015	67	1,805,112	(14,406)	1,790,773
At 1 April 2015	67	1,805,112	(14,406)	1,790,773
Loss and total comprehensive income for the period	–	–	(89)	(89)
At 30 June 2015	67	1,805,112	(14,495)	1,790,684

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 29 June 2016, in preparation for the Company's listing on the Mainboard of the SGX-ST, the Company undertook a share split exercise pursuant to which each ordinary share in the capital of the Company ("**Share**") was sub-divided into 100 Shares, thereby increasing the number of Shares from 10,000,001 to 1,000,000,100.

1(d)(iii) Total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding financial year.

The total number of issued Shares as at 30 June 2016 and 31 December 2015 were 1,000,000,100 and 10,000,001 respectively. The Company has no treasury shares.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period reported on.

Not applicable as the Company has no treasury shares.

(2) Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

(3) Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

(4) Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently audited financial statements for the year ended 31 December 2015.

(5) If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted all accounting standards that are effective from 1 January 2016 but the adopted changes have no material effect.

(6) Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	The Group		The Group	
	2Q2016	**2Q2015**	**1H2016**	**1H2015**
Basic earnings per Share (RMB cents)	14.04	12.13	25.60	21.21
Weighted average number of Shares	1,000,000,100	1,000,000,100	1,000,000,100	1,000,000,100
Fully diluted earnings per Share (RMB cents)	14.04	12.13	25.60	21.21
Weighted average number of Shares	1,000,000,100	1,000,000,100	1,000,000,100	1,000,000,100

On 29 June 2016, every one Share was sub-divided into 100 Shares. The earnings per Share for 2Q2015 and 1H2015 was computed based on the weighted average number of Shares sub-divided into 100 Shares for comparison purposes.

(7) Net asset value (for the issuer and the Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

(a) current financial period reported on; and

(b) immediately preceding financial year.

	Group		Company	
	As at 30 June 2016	**As at 31 December 2015**	**As at 30 June 2016**	**As at 31 December 2015**
Net asset value per Share (RMB cents)	322.20	294.40	178.14	178.99
Weighted average number of Shares	1,000,000,100	1,000,000,100	1,000,000,100	1,000,000,100

On 29 June 2016, every one Share was sub-divided into 100 Shares. The net asset value per Share as at 31 December 2015 was computed based on weighted average number of Shares sub-divided into 100 Shares for comparison purposes.

(8) A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

Income Analysis

2Q2016 vs 2Q2015

Revenue

Revenue increased 26.9% from RMB416.7 million in 2Q2015 to RMB528.7 million in 2Q2016, due to an increase in revenue from:

(a) Construction services provided under BOT concession agreements

Revenue from construction services provided under build-operate-transfer ("**BOT**") concession agreements increased by 388.0% from RMB28.3 million in 2Q2015 to RMB138.1 million in 2Q2016 due to (i) an increase in revenue from the provision of construction services under BOT concession agreements from RMB25.4 million in 2Q2015 to RMB134.9 million in 2Q2016 and (ii) an increase in financial income under BOT concession agreements from RMB2.9 million in 2Q2015 to RMB3.2 million in 2Q2016.

(b) Our WTE business (excluding revenue from construction services provided under BOT concession agreements)

Revenue from our waste-to-energy ("**WTE**") business (excluding revenue from construction services provided under BOT concession agreements) increased 0.7% from RMB329.7 million in 2Q2015 to RMB332.1 million in 2Q2016. The increase was attributable to (i) an increase in the supply of municipal solid waste to our WTE facilities by the relevant local governments and new WTE facilities becoming operational, (ii) an increase in revenue from sales of electricity due to an increase in electricity output and (iii) an increase in revenue from sales of steam, offset by the fact that electricity subsidies had been received by our WTE facilities located in Yunnan Province in 2Q2015 but not in 2Q2016.

Details of the electricity generated and supplied, steam supplied and waste treated for 2Q2016 and 2Q2015 were as follows:

	The Group 2Q 2016	**The Group 2Q 2015**	**Change %**
Electricity generated ('000 kWh)	534,930	458,130	16.8
On-grid electricity supplied ('000 kWh)	406,830	348,750	16.7
Steam supplied ('000 tons)	196	135	45.2
Waste treated ('000 tons)	1,959	1,632	20.0

On-grid electricity supplied and waste treated grew 16.7% and 20.0% in 2Q2016 as compared to 2Q2015. This is in line with the increase in the supply of municipal solid waste to the WTE facilities and new facilities becoming operational.

Revenue from project technical and management services and EMC business remained relatively stable at RMB58.7 million in 2Q2015 and RMB58.5 million in 2Q2016.

Cost of sales

Cost of sales increased 36.7% from RMB210.3 million in 2Q2015 to RMB287.4 million in 2Q2016, due to an increase in the cost of sales from:

(a) Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements increased 418.1% from RMB22.7 million in 2Q2015 to RMB117.6 million in 2Q2016 due to the provision of construction services under BOT concession agreements.

(b) Project technical and management services and our EMC business

The cost of sales from project technical and management services and our EMC business increased 96.3% from RMB8.2 million in 2Q2015 to RMB16.1 million in 2Q2016, primarily due to the expansion of our EMC business. The expansion of our EMC business, technical upgrading and increases in the number of employees also resulted in an increase in administrative costs.

This was offset by a decrease in the cost of sales from our WTE business (excluding cost of sales from construction services provided under BOT concession agreements), which decreased 14.3% from RMB179.4 million in 2Q2015 to RMB153.7 million in 2Q2016. The decrease was primarily due to cost control measures to reduce operational costs, including reduction in coal costs and maintenance expenses, offset by an increase in costs due to new WTE facilities becoming operational and larger amounts of electricity generated and waste treated.

Gross profit and gross profit margin

As a result of the foregoing, the gross profit increased 16.9% from RMB206.4 million in 2Q2015 to RMB241.3 million in 2Q2016, which was driven by an increase in the gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) and construction services provided under BOT concession agreements, partially offset by a decrease in the gross profit of project technical and management services and our EMC business.

Gross profit and gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements)

The gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased 18.7% from RMB150.3 million in 2Q2015 to RMB178.4 million in 2Q2016, primarily due to an increase in the revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) from RMB329.7 million in 2Q2015 to RMB332.1 million in 2Q2016, and a decrease in the cost of sales from our WTE business (excluding the cost of sales from construction services provided under BOT concession agreements) from RMB179.4 million in 2Q2015 to RMB153.7 million in 2Q2016. The gross profit margin of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased from 45.6% in 2Q2015 to 53.7% in 2Q2016.

Gross profit and gross profit margin of construction services provided under BOT concession agreements

The gross profit from construction services provided under BOT concession agreements increased 540.7% from RMB2.7 million in 2Q2015 to RMB17.3 million in 2Q2016, due to an increase in the revenue recognised from construction services provided under BOT concession agreements from RMB25.4 million in 2Q2015 to RMB134.9 million in 2Q2016, partially offset by an increase in the cost of sales from construction services provided under BOT concession agreements from RMB22.7 million in 2Q2015 to RMB117.6 million in 2Q2016 due to the provision of construction services under BOT concession agreements. The gross profit margin of construction services provided under BOT concession agreements increased slightly from 10.6% in 2Q2015 to 12.8% in 2Q2016. Finance income from BOT concession agreement increased from RMB2.9 million in 2Q2015 to RMB3.2 million in 2Q2016.

Gross profit and gross profit margin of project technical and management services and our EMC business

The gross profit from project technical and management services and our EMC business decreased 16.0% from RMB50.5 million in 2Q2015 to RMB42.4 million in 2Q2016, due to (i) the slight decrease in the revenue from project technical and management services and our EMC business from RMB58.7 million in 2Q2015 to RMB58.5 million in 2Q2016 as a result of lower natural gas prices leading to lower profit sharing quantums and (ii) an increase in the cost of sales from project technical and management services and our EMC business from RMB8.2 million in 2Q2015 to RMB16.1 million in 2Q2016, as the expansion of our EMC business was completed in the first half of 2016. The expansion of our EMC business, technical upgrading and increases in the number of employees also resulted in an increase in administrative costs. Accordingly, the gross profit margin of project technical and management services and our EMC business decreased from 86.0% in 2Q2015 to 72.5% in 2Q2016.

Other income and other gains and losses

Other income and other gains and losses increased 82.5% from RMB15.8 million in 2Q2015 to RMB28.7 million in 2Q2016, due primarily to an increase in government grant and subsidy.

Administrative expenses

Administrative expenses remained relatively stable at RMB31.9 million for both 2Q2015 and 2Q2016. Administrative expenses as a percentage of revenue reduced from 7.7% in 2Q2015 to 6.0% in 2Q2016.

Finance costs

Finance costs increased 21.8% from RMB25.4 million in 2Q2015 to RMB30.9 million in 2Q2016, primarily due to an increase in interest payments for our bank loans and finance lease obligations as a result of an increase in bank borrowings and finance lease obligations in 1H2016 pursuant to our business expansion initiatives as compared to 1H2015, as well as refinancing of bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax increased 25.7% from RMB164.8 million in 2Q2015 to RMB207.2 million in 2Q2016.

Income tax expense

Income tax expense increased 60.5% from RMB39.8 million in 2Q2015 to RMB63.9 million in 2Q2016. The increase was primarily attributable to an increase in current tax expense due to (i) the increase in profit before tax, (ii) our WTE facilities located in Wuhan, Hubei Province and Lianyungang, Jiangsu Province being subject to a tax rate of 25% for 2Q2016 as compared to 12.5% in 2Q2015 following the expiry of the "three-year exemption and three-year 50% reduction" preferential tax treatment scheme in respect of the aforementioned WTE facilities on 31 December 2015 and (iii) a RMB7.0 million tax provision for dividends.

Profit for the period

As a result of the foregoing, profit for the period increased 14.6% from RMB125.0 million in 2Q2015 to RMB143.3 million in 2Q2016.

1H2016 vs 1H2015

Revenue

Revenue increased 30.7% from RMB791.5 million in 1H2015 to RMB1,034.8 million in 1H2016, due to an increase in revenue from:

(a) Construction services provided under BOT concession agreements

Revenue from construction services provided under BOT concession agreements increased 468.7% from RMB47.6 million in 1H2015 to RMB270.7 million in 1H2016 due to (i) the provision of construction services under BOT concession agreements from RMB41.7 million in 1H2015 to RMB264.3 million in 1H2016 and (ii) an increase in financial income under BOT concession agreements from RMB5.9 million in 1H2015 to RMB6.4 million in 1H2016.

(b) Our WTE business (excluding revenue from construction services provided under BOT concession agreements)

Revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) increased 4.0% from RMB615.6 million in 1H2015 to RMB640.4 million in 1H2016. The increase was attributable to (i) an increase in the supply of municipal solid waste to our WTE facilities by the relevant local governments and new WTE facilities becoming operational, (ii) an increase in revenue from sales of electricity as electricity output increased and (iii) increases in revenue from sales of steam, offset by the fact that electricity subsidies had been received by our WTE facilities located in Yunnan Province in 2Q2015 but not in 2Q2016.

The electricity generated and supplied, steam supplied and waste treated for 1H2016 and 1H2015 were as follows:

	Group 1H 2016	**Group 1H 2015**	**Change %**
Electricity generated ('000 kWh)	1,007,360	887,130	13.6
On-grid electricity supplied ('000 kWh)	752,460	673,100	11.8
Steam supplied ('000 tons)	518	355	45.9
Waste treated ('000 tons)	3,733	3,207	16.4

On-grid electricity supplied and waste treated grew 11.8% and 16.4% in 1H2016 as compared to 1H2015. This is in line with the increase in the supply of municipal solid waste to the WTE facilities and new facilities becoming operational.

This was offset by a decrease in revenue from project technical and management services and our EMC business, which decreased 3.6% from RMB128.3 million in 1H2015 to RMB123.7 million in 1H2016, primarily due to a lower profit sharing quantum as a result of a lower natural gas price.

Cost of sales

Cost of sales increased 48.9% from RMB393.1 million in 1H2015 to RMB585.3 million in 1H2016, due to an increase in the cost of sales from:

(a) Construction services provided under BOT concession agreements

The cost of sales from construction services provided under BOT concession agreements increased 519.1% from RMB37.2 million in 1H2015 to RMB230.3 million in 1H2016 due to the provision of construction services under BOT concession agreements.

(b) Project technical and management services and EMC business

The cost of sales from project technical and management services and EMC business increased 55.6% from RMB20.5 million in 1H2015 to RMB31.9 million in 1H2016, primarily due to the expansion of our EMC business. The expansion of our EMC business, technical upgrading and increases in the number of employees also resulted in an increase in administrative costs.

This was offset by a decrease in the cost of sales from our WTE business (excluding cost of sales from construction services provided under BOT concession agreements), which decreased 3.7% from RMB335.4 million in 1H2015 to RMB323.1 million in 1H2016. The decrease was primarily due to cost control measures to reduce operational costs, including reduction in coal costs and maintenance expenses, offset by increase in costs due to new facility becoming operational and increased in electricity generated and waste treated.

Gross profit and gross profit margin

As a result of the foregoing, the gross profit increased 12.8% from RMB398.4 million in 1H2015 to RMB449.5 million in 1H2016, which was driven by an increase in the gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) and construction services provided under BOT concession agreements, partially offset by a decrease in the gross profit of project technical and management services and our EMC business.

Gross profit and gross profit margin of WTE business (excluding gross profit from construction services provided under BOT concession agreements)

The gross profit of our WTE business (excluding gross profit from construction services provided under BOT concession agreements) increased 13.2% from RMB280.2 million in 1H2015 to RMB317.3 million in 1H2016, primarily due to an increase in the revenue from our WTE business (excluding revenue from construction services provided under BOT concession agreements) from RMB615.6 million in 1H2015 to RMB640.4 million in 1H2016, and a decrease in the cost of sales from our WTE business (excluding revenue from construction services provided under BOT concession agreements) from RMB335.4 million in 1H2015 to RMB323.1 million in 1H2016. The gross profit margin of our WTE business increased from 45.5% in 1H2015 to 49.5% in 1H2016.

Gross profit and gross profit margin of construction services provided under BOT concession agreements

The gross profit from construction services provided under BOT concession agreements increased 655.6% from RMB4.5 million in 1H2015 to RMB34.0 million in 1H2016, due to an increase in the revenue recognised from construction services provided under BOT concession agreements from RMB41.7 million in 1H2015 to RMB264.3 million in 1H2016, partially offset by an increase in the cost of sales from construction services provided under BOT concession agreements from RMB37.2 million in 1H2015 to RMB230.3 million in 1H2016 due to the provision of construction services under the BOT concession agreement. The gross profit margin of construction services provided under the BOT concession agreements increased slightly from 10.8% in 1H2015 to 12.9% in 1H2016. Finance income from BOT concession agreement increased from RMB5.9 million in 1H2015 to RMB6.4 million in 1H2016.

Gross profit and gross profit margin of project technical and management services and our EMC business

The gross profit from project technical and management services and our EMC business decreased 14.8% from RMB107.8 million in 1H2015 to RMB91.8 million in 1H2016, due to (i) the slight decrease in the revenue from project technical and management services and our EMC business from RMB128.3 million in 1H2015 to RMB123.7 million in 1H2016 as a result of lower natural gas price leading to lower profit sharing quantum and (ii) an increase in the cost of sales from project technical and management services and our EMC business from RMB20.5 million in 1H2015 to RMB31.9 million in 1H2016, as the expansion of our EMC business was completed in the first half of 2016. The expansion of our EMC business, technical upgrading and increases in the number of employees also resulted in an increase in administrative costs. Therefore, the gross profit margin of project technical and management services and our EMC business decreased from 84.0% in 1H2015 to 74.2% in 1H2016.

Other income and other gains and losses

Other income and other gains and losses increased 203.1% from RMB21.2 million in 1H2015 to RMB64.2 million in 1H2016. The increase was primarily due to (i) an increase in government grant and subsidy from RMB16.9 million in 1H2015 to RMB60.1 million in 1H2016 and (ii) gains on sales of scrap materials increasing slightly from RMB3.3 million in 1H2015 to RMB3.5 million in 1H2016.

Administrative expenses

Administrative expenses remained relatively stable at RMB75.9 million in 1H2015 and RMB75.6 million in 1H2016.

Finance costs

Finance costs increased 34.1% from RMB48.8 million in 1H2015 to RMB65.4 million in 1H2016, primarily due to an increase in interest payments for our bank loans and finance lease obligations as a result of an increase in bank borrowings and finance lease obligations in 1H2016 pursuant to our business expansion initiatives as compared to 1H2015 as well as refinancing of bank borrowings.

Profit before tax

As a result of the foregoing, profit before tax increased 26.4% from RMB294.8 million in 1H2015 to RMB372.7 million in 1H2016.

Income tax expense

Income tax expense increased 44.9% from RMB76.9 million in 1H2015 to RMB111.5 million in 1H2016. The increase was primarily attributable to an increase in current tax expense due to (i) the increase in profit before tax, (ii) our WTE facilities located in Wuhan, Hubei Province and Lianyungang, Jiangsu Province being subject to a tax rate of 25% for 1H2016 from 12.5% in 1H2015 following the expiry of the "three-year exemption and three-year 50% reduction" preferential tax treatment scheme in respect of the aforementioned WTE facilities on 31 December 2015 and (iii) a RMB13.0 million tax provision for dividends.

Profit for the period

As a result of the foregoing, profit for the period increased 19.9% from RMB217.9 million in 1H2015 to RMB261.2 million in 1H2016.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Financial Position

As at 30 June 2016, total assets amounted to RMB7,078.7 million, an increase of RMB118.3 million or 1.7% as compared to total assets of RMB6,960.4 million as at 31 December 2015. The increase in total assets is due to an increase in non-current assets by RMB327.2 million, offset by a decrease in current assets by RMB208.9 million.

Non-current assets

Non-current assets increased 5.7% by RMB327.2 million from RMB5,698.5 million as at 31 December 2015 to RMB6,025.7 million as at 30 June 2016.

The increase is mainly attributable to the construction services provided under BOT concession agreements, which resulted in (i) property, plant and equipment increasing 2.4% by RMB108.0 million from RMB4,488.2 million as at 31 December 2015 to RMB4,596.2 million as at 30 June 2016, (ii) intangible assets increasing 28.4% by RMB194.9 million from RMB687.3 million as at 31 December 2015 to RMB882.2 million as at 30 June 2016 and (iii) service concession receivables increasing 17.3% by RMB29.7 million from RMB171.7 million as at 31 December 2015 to RMB201.4 million as at 30 June 2016.

Current assets

Current assets decreased 16.6% by RMB208.9 million from RMB1,261.8 million as at 31 December 2015 to RMB1,052.9 million as at 30 June 2016.

The decrease is mainly due to amounts due from related parties decreasing 77.5% by RMB275.4 million from RMB355.2 million as at 31 December 2015 to RMB79.8 million as at 30 June 2016 due to repayment by related parties for EMC business, offset by (i) trade and other receivables increasing 14.6% by RMB59.6 million from RMB408.5 million as at 31 December 2015 to RMB468.1 million as at 30 June 2016 as our WTE business expanded and our WTE facility located in Zibo, Shandong Province commenced commercial operations in 2016 and (ii) other tax recoverable increasing 53.5% by RMB38.7 million from RMB72.4 million as at 31 December 2015 to RMB111.1 million as at 30 June 2016, due to more equipment purchases for existing construction projects.

Current liabilities

Current liabilities increased 6.2% by RMB87.9 million from RMB1,426.0 million as at 31 December 2015 to RMB1,513.9 million as at 30 June 2016.

The increase is mainly due to (i) borrowings increasing 16.8% by RMB89.9 million from RMB534.4 million as at 31 December 2015 to RMB624.3 million as at 30 June 2016 due to the construction of new WTE facilities and (ii) obligations under finance leases increasing 23.0% by RMB26.6 million from RMB115.9 million as at 31 December 2015 to RMB142.5 million as at 30 June 2016 due to new finance leases at our WTE facilities located in Xiaoshan, Hangzhou, Zhejiang Province and Hankou, Wuhan, Hubei Province, offset by income tax liabilities decreasing 26.9% by RMB25.0 million from RMB93.0 million as at 31 December 2015 to RMB68.0 million as at 30 June 2016 due to payment of taxes in 1H2016.

Non-current liabilities

Non-current liabilities decreased 9.5% by RMB228.1 million from RMB2,412.6 million as at 31 December 2015 to RMB2,184.5 million as at 30 June 2016.

The decrease is mainly due to borrowings decreasing 15.5% by RMB259.4 million from RMB1,671.2 million as at 31 December 2015 to RMB1,411.8 million as at 30 June 2016 due to an increased amount of borrowings, especially for new projects, being repayable within one year, offset by deferred tax liabilities increasing 22.9% by RMB46.7 million from RMB203.6 million as at 31 December 2015 to RMB250.3 million as at 30 June 2016 arising from construction services provided under BOT concession agreements and tax provision for dividends.

Capital and reserves

As at 30 June 2016, capital and reserves amounted to RMB3,380.3 million, an increase of 8.3% or approximately RMB258.5 million as compared to total assets of RMB3,121.8 million as at 31 December 2015. The increase is mainly due to the retained earnings for the period.

Cashflow Review

Operating cashflow increased 68.6% by RMB63.8 million from RMB93.0 million in 2Q2015 to RMB156.8 million in 2Q2016. Operating cashflow increased 73.3% by RMB116.4 million from RMB158.8 million in 1H2015 to RMB275.2 million in 1H2016. The increase is mainly due to higher profits generated as well as repayment by related parties during the period.

Investing cashflow decreased 44.4% by RMB71.8 million from RMB161.7 million in 2Q2015 to RMB89.9 million in 2Q2016. Investing cashflow decreased 23.4% by RMB60.0 million from RMB256.9 million in 1H2015 to RMB196.9 million in 1H2016. The decrease is mainly due to the fact that the Group's pipeline WTE projects in 2Q2016 and 1H2016 are in a comparatively earlier stage of construction as compared to 2Q2015 and 1H2015.

Financing cashflow decreased by RMB113.6 million from RMB9.4 million inflow in 2Q2015 to RMB104.2 million outflow in 2Q2016. Financing cashflow decreased by RMB141.8 million from RMB33.9 million inflow in 1H2015 to RMB107.9 million outflow in 1H2016. The decrease is mainly due to more repayments being made during the period.

Cash balance as at 30 June 2016 stands at RMB324.0 million.

(9) Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

(10) A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Whilst there is continued downward pressure on the overall macro-economic environment in China, we believe that our business is largely insulated from the negative effects of an economic downtown, given that a substantial portion of our revenue is determined based on fixed rates and tariffs and our counterparties are mainly Chinese governmental entities.

Due to the increased production of municipal solid waste as a result of China's rapid urbanisation, favourable regulatory environment and local governmental support for the construction of WTE plants as well as increased public awareness of environmentally-sustainable practices, the WTE industry is one of the fastest growing sectors of China's clean energy and environmental protection industries. China's 13th Five-Year Plan, which was issued in March 2016, contemplates the percentage of waste treated by incineration to further increase. The Company intends to leverage on its listing on the SGX-ST to maintain its industry leading position in China. Additionally, the Company will look to carry out its overseas expansion plans, particularly in the South-east Asian market.

Moving forward, as disclosed in the Company's IPO prospectus dated 25 July 2016, the Company intends to proceed with its planned acquisition of Zhejiang Zhuji Bafang Thermal Power Co., Ltd. ("**Zhuji Bafang**") and Wenling Green New Energy Co., Ltd. ("**Wenling Green Energy**") in the second half of 2016, which will be subject to the approval of Shareholders under Chapter 9 of the Mainboard listing rules of the SGX-ST. Zhuji Bafang's WTE facility (operating under the build-own-operate model) has an installed waste treatment capacity of 800 t/d. It also supplies steam for Zhuji City and its surrounding specialised industrial town, and has an installed electricity generation capacity of 24 MW/d. Wenling Green Energy's WTE facility (operating under the BOT model) has an installed waste and sludge treatment capacity of 800 t/d and an installed electricity generation capacity of 15 MW/d. Its 51% owned subsidiary, Wenling Green Solid Waste Disposal Co., Ltd., has an installed treatment capacity of 5 t/d for incineration of animal carcasses. Upon completion of the acquisition, the Group's installed waste treatment capacity and installed electricity generation capacity would be increased by 1,600 t/d and 39 MW/d respectively.

Similarly, in the second half of 2016, the Group is scheduled to complete construction projects at the Hohhot New Energy WTE Facility, the Qitaihe Green Energy WTE Facility, the Songyuan Xinxiang WTE Facility and the Gaomi Lilangmingde WTE Facility. Trial operation phase commenced at the Songyuan Xinxiang WTE Facility in August 2016. Upon completion of these four WTE facilities, the Group's installed waste treatment capacity and installed electricity generation capacity would be increased by 3,850 t/d and 78 MW/d respectively.

Expansion at the Wuhu Jinjiang WTE Facility and the Lianyungang Sunrise WTE Facility is also expected to be completed by end 2016, which will further increase the Group's installed waste treatment capacity by 1,700 t/d.

We expect that our installed waste treatment capacity and installed electricity generation capacity will be 29,980 t/d and 532 MW/d respectively by the end of 2016, an increase of approximately 31% and 28% respectively compared to 30 June 2016.

The Group also has 11 WTE facilities in the preparatory stage. Construction work has commenced at the Zibo New Energy WTE Facility and construction work is also expected to commence in the third quarter at the Yueyang Sunrise WTE Facility.

In addition, on 16 August 2016, the Ningxia Yinchuan Municipal Urban Management Bureau and Yinchuan Zhongke Environmental Electrical Co., Ltd. signed a supplementary concession agreement to increase the installed waste treatment capacity of the Yinchuan Zhongke WTE Facility by another 1,000 t/d. Preparatory work has commenced for the expansion project. Upon completion, the installed waste treatment capacity and installed electricity generation capacity would be 2,000 t/d and 36MW/d respectively.

The Company was listed on the Mainboard of the SGX-ST on 3 August 2016 and raised gross proceeds of S$184.3 million. As at the date of this announcement, none of the IPO proceeds have been used.

(11) If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

None.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Books closure date

Not applicable.

(12) If no dividend has been declared (recommended), a statement to that effect.

No dividends have been declared or recommended for the current financial period reported on.

(13) If the Group has obtained a general mandate from shareholders for Interested Person Transactions (IPTs), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Not applicable for the reporting period as the Company was listed on the Main Board of the Singapore Exchange Securities Trading Limited only on 3 August 2016.

(14) Negative Confirmation by the Board pursuant to Rule 705(5).

The Board has confirmed that to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results of the Group for the second quarter and half year ended 30 June 2016 to be false or misleading in any material respect.

(15) Confirmation pursuant to Rule 720 (1) of the Listing Manual.

The Company confirms that it has procured the undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the Listing Manual.

By Order of the Board

Wang Yuanluo
Executive Chairman and Chief Executive Officer

26 August 2016

*China International Capital Corporation (Singapore) Pte. Limited was the sole issue manager, global coordinator, bookrunner and underwriter (the "**Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter**") for the initial public offering of shares in, and listing of, China Jinjiang Environment Holding Company Limited on the Mainboard of the Singapore Exchange Securities Trading Limited. The Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.*

中汇
ZHONGHUI

25 October 2016

The Board of Directors
Hailiang International Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hailiang International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 30 June 2016 (the "**Statement**") as set out on pages III-4 to III-6 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the subscription of shares issued by China Jinjiang Environment Holding Company Limited (the "**Subscription**") on the Group's financial position as at 30 June 2016 as if the transaction had been taken place on 30 June 2016. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed financial statements as included in the interim report for the six months ended 30 June 2016 on which a review report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Practicing Certificate Number P06084
Hong Kong

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

(1) Introduction to the unaudited pro forma financial information

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Unaudited Pro Forma Financial Information") has been prepared to illustrate the effect of the subscription of shares issued by China Jinjiang Environment Holding Company Limited (the "Subscription"), assuming the transaction had been completed on 30 June 2016, might have affected the financial position of the Group.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2016 as extracted from the condensed financial statements of the Group for the six months ended 30 June 2016 after making certain pro forma adjustments resulting from the Subscription.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Subscription actually occurred on 30 June 2016. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular and other financial information included elsewhere in the Circular.

(2) Unaudited Pro Forma Financial Information of the Group

	The Group at 30 June 2016	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma total for the Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)			
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	4,993	–	–	4,993
Intangible assets	97	–	–	97
Deferred tax assets	5,919	–	–	5,919
Available-for-sale financial assets	–	109,941	1,537	111,478
	11,009	109,941	1,537	122,487
Current assets				
Inventories	23,294	–	–	23,294
Properties for sale under development	211,602	–	–	211,602
Trade and bill receivables	20,298	–	–	20,298
Prepayments, deposits and other receivables	5,388	–	–	5,388
Pledged bank deposits	2,534	–	–	2,534
Bank and cash balances	207,944	(109,941)	(1,537)	96,466
	471,060	(109,941)	(1,537)	359,582
Current liabilities				
Trade payables	23,659	–	–	23,659
Accruals, other payables and deposits received	4,140	–	–	4,140
Due to a non-controlling shareholder of a subsidiary	1,581	–	–	1,581
Obligations under finance leases	53	–	–	53
	29,433	–	–	29,433
Net current assets	441,627	(109,941)	(1,537)	330,149
Total assets less current liabilities	452,636	–	–	452,636
Non-current liabilities				
Obligations under finance leases	155	–	–	155
NET ASSETS	452,481	–	–	452,481
Capital and reserves				
Share capital	16,111	–	–	16,111
Reserves	426,553	–	–	426,553
Equity attributable to owners of the Company	442,664	–	–	442,664
Non-controlling interests	9,817	–	–	9,817
TOTAL EQUITY	452,481	–	–	452,481

Notes:

1. The balances have been extracted from the interim report of the Company for the six months ended 30 June 2016.

2. The adjustment represents the subscription of the 21,431,000 Jinjiang Shares (the "**Subscription**") issued at the subscription price of S$0.90 (equivalent to approximately HK$5.13), assuming the Subscription had been completed on 30 June 2016. The Group settled the Subscription by cash.

   Upon the completion of the Subscription, the Group recognised the available-for-sale financial assets by the amount of approximately HK$109,941,030, the bank and cash balances decreased by the same amount.

3. The adjustment represents the direct expenses relating to the Subscription of approximately HK$1,537,000, including brokerage fee of approximately HK$1,099,000 and legal and professional fees of approximately HK$438,000. The Group will settle these direct expenses by cash.

4. The fair value of the available-for-sale financial assets as at 30 June 2016 was assumed to be approximately HK$111,478,000.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

*Set out below is the management discussion and analysis of the Target Group for each of the years ended 31 December 2013, 2014 and 2015 (the "**Relevant Periods**") based on the Prospectus. The management discussion and analysis of the Target Group for the second quarter and half year ended 30 June 2016 is set out on page II-83 and page II-88, and from page II-90 to page II-100 of this circular.*

Overview

During the Relevant Periods, the Target Group was mainly engaged in the generation and sale of electricity and steam, operation of waste-to-energy ("**WTE**") plants and project technical and management services and energy management contracting ("**EMC**") services. The Target Group operated 16 WTE facilities in 12 provinces, autonomous regions and centrally-administered municipalities in the PRC, and had an additional (i) four WTE facilities under construction, (ii) 12 WTE facilities in the preparatory stage and (iii) two WTE facilities operated by project companies over which the Target Group had an option to acquire from Hangzhou Jinjiang Group Co., Ltd. 杭州錦江集團有限公司 ("**Jinjiang Group**") after the listing of China Jinjiang on the SGX-ST.

Revenue

The Target Group derives its revenue from its two main business segments in the PRC, namely, (i) its WTE business; and (ii) project technical and management services and its EMC business.

The revenue from the Target Group's WTE business consists of (i) waste treatment fees, (ii) on-grid tariffs for the sale of electricity, (iii) steam supply fees and (iv) revenue from construction services provided under build-operate-transfer ("**BOT**") concession agreements.

The revenue from project technical and management services and the Target Group's EMC business consists of (i) project technical and management service fees, (ii) consulting fees and (iii) arrangements with The Target Group's clients for sharing the reduction in operating costs resulting from energy saved.

The following table sets forth information about the Target Group's revenue by business segment and the percentage breakdown of total revenue for the periods indicated:

	For the year ended 31 December					
	2013		2014		2015	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
WTE business						
Sales of electricity	541,287	42.4	658,939	51.9	735,785	46.3
Sales of steam	90,380	7.1	96,526	7.6	112,896	7.1
Revenue from waste treatment fees	311,915	24.4	338,996	26.7	345,461	21.8
Revenue from construction services provided under service concession agreements	317,837	24.9	18,272	1.4	102,489	6.5
Financial income under service concession arrangements	–	–	10,178	0.8	18,134	1.1
Sub-total	1,261,419	98.8	1,122,911	88.4	1,314,765	82.8
Project technical and management service and EMC business	15,305	1.2	146,746	11.6	273,374	17.2
Total	1,276,724	100.0	1,269,657	100.0	1,588,139	100.0

The revenue increased 25.1% from RMB1,269.7 million for the financial year ended 31 December 2014 to RMB1,588.1 million for the financial year ended 31 December 2015, primarily due to an increase in revenue from the Target Group's WTE business and an increase in revenue from project technical and management services and the Target Group's EMC business following the EMC business injection which was completed in June 2014.

The Target Group's revenue decreased 0.5% from RMB1,276.7 million for the financial year ended 31 December 2013 to RMB1,269.7 million for the financial year ended 31 December 2014, primarily due to a decrease in revenue from the Target Group's WTE business partially offset by an increase in revenue from project technical and management services and the Target Group's EMC business.

Cost of Sales

Cost of sales of the Target Group primarily represents the costs of raw materials, labour costs, manufacturing expenses, depreciation of property, plant and equipment and amortisation of intangible assets.

The cost of raw materials, primarily coal, is the most significant component of the cost of sales. Cost of raw materials accounted for 27.3%, 32.9% and 29.7% of the Target Group's overall cost of sales for the years ended 31 December 2013, 2014 and 2015, respectively.

The following table sets forth a breakdown of the cost of sales by business segment and each item as a percentage of the Target Group's total cost of sales, for the periods indicated:

	For the year ended 31 December					
	2013		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
WTE business						
Raw materials	224,119	27.3	213,658	32.9	249,984	29.7
Labour cost	47,537	5.8	53,949	8.3	61,830	7.3
Manufacturing expense	387,661	47.2	189,756	29.2	265,793	31.6
Depreciation of property, plant and equipment	143,368	17.5	154,136	23.8	179,734	21.3
Amortisation of intangible assets	9,451	1.2	15,010	2.3	26,368	3.1
Sub-total	812,136	99.0	626,509	96.5	783,709	93.0
Project technical and management service and EMC business						
Labour cost	8,350	1.0	8,817	1.4	38,054	4.5
Depreciation of property, plant and equipment	–	–	13,451	2.1	20,503	2.5
Sub-total	8,350	1.0	22,268	3.5	58,557	7.0
Total	820,486	100.0	648,777	100.0	842,266	100.0

Gross Profit

Gross profit is the revenue of the Target Group minus its cost of sales.

The following table sets out the Target Group's gross profit by business segment for the periods indicated:

	For the year ended 31 December					
	2013		**2014**		**2015**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
WTE business	449,283	98.5	496,402	80.0	531,056	71.2
Project technical and management service and EMC business	6,955	1.5	124,478	20.0	214,817	28.8
Total	456,238	100.0	620,880	100.0	745,873	100.0

The Target Group's gross profit for the financial year ended 31 December 2013, 2014 and 2015 was RMB456.2 million, RMB620.9 million and RMB745.9 million, respectively. The Target Group's gross profit margin for the financial year ended 31 December 2013, 2014 and 2015 was 35.7%, 48.9% and 47.0%, respectively. The relatively lower gross profit margin for the financial year ended 31 December 2013 as compared across the Relevant Periods was mainly attributable to a larger proportion of the Target Group's revenue being derived from construction services provided under the BOT concession agreements under the Target Group's WTE business for the financial year ended 31 December 2013 as compared to the financial year ended 31 December 2014 and 2015. The gross profit margin for revenue from construction services provided under the BOT concession agreements was approximately 10.9% for the Relevant Periods, which is lower than other sources of the Target Group's revenue.

The Target Group's revenue from construction services provided under BOT concession agreements was approximately RMB317.8 million for the financial year ended 31 December 2013, as compared to approximately RMB18.3 million for the financial year ended 31 December 2014 and approximately RMB102.5 million for the financial year ended 31 December 2015.

In addition, the proportion of the Target Group's revenue derived from the provision of project technical and management services and the EMC business, which has a much higher gross profit margin than that of the WTE business for the reasons described below, was the lowest for the financial year ended 31 December 2013 across the Relevant Periods, therefore resulting in lower gross profit margins and net profit margins for the financial year ended 31 December 2013. Due to the service-oriented nature of the Target Group's project technical and management services and the EMC services, the capital expenditure and operating cost for project technical and management services and EMC services are significantly lower than that of the Target Group's WTE business. The gross profit margins for project technical and management services and the Target Group's EMC business were 84.8% and 78.6% for the financial years ended 31 December 2014 and 2015, respectively, as compared to 44.2% and 40.4% for the Target Group's WTE business during the same period.

Profit before tax

The profit before tax of the Target Group increased 28.8% from RMB452.3 million for the financial year ended 31 December 2014 to RMB582.7 million for the financial year ended 31 December 2015.

The profit before tax of the Target Group increased 55.1% from RMB291.7 million for the financial year ended 31 December 2013 to RMB452.3 million for the financial year ended 31 December 2014.

Profit for the year from continuing operations

The Target Group's profit from continuing operations increased 24.5% from RMB325.9 million for the financial year ended 31 December 2014 to RMB405.6 million for the financial year ended 31 December 2015, and increased 40.3% from RMB232.3 million for the financial year ended 31 December 2013 to RMB325.9 million for the financial year ended 31 December 2014.

Order Book

The order book of the Target Group for project technical and management services and its EMC services as at any date represents the total stated contract value of orders not yet completed less the portion of revenue in respect of these orders that the Target Group has recognised in accordance with the Target Group's revenue recognition policies. In respect of the Target Group's EMC business, the contracts are typically for a period of five years.

As at 31 December 2015, the order book of the Target Group for project technical and management services and its EMC services stood at approximately RMB12.9 million.

Due to the nature of the WTE business, the Target Group did not maintain an order book in respect of the WTE business.

Business Acquisitions

The Target Group acquired Tianjin Sunrise Environmental Protection Science and Technology Development Co., Ltd. (天津市晨興力克環保科技發展有限公司) ("**Tianjin Sunrise**") and Gaomi Lilangmingde Environmental Protection Technology Co., Ltd. (高密利朗明德環保科技有限公司) ("**Gaomi Lilangmingde**") in December 2013 and December 2015, respectively, in line with the Target Group's expansion strategy, which is aimed at increasing the scale of the Target Group's business operations and cementing its position as a leading industry consolidator in the PRC.

Acquisition of Tianjin Sunrise

Tianjin Sunrise owns and operates the Tianjin Sunrise WTE facility currently in commercial operation located in Tianjin municipality.

In December 2013, Sunrise Environmental Group Company Limited (晨興環保集團有限公司), an independent third party, and Mr. Zhang Erxian, an independent third party, transferred 60% and 40% of the equity interest, respectively, in Tianjin Sunrise to the Target Group's indirect wholly-owned subsidiary, Lin'an Jiasheng New Energy Co., Ltd. (臨安嘉盛環保有限公司) ("**Lin'an Jiasheng**"), for a consideration of RMB30,000,000 and RMB20,000,000, respectively, which was determined based on the registered and paid-up capital of Tianjin Sunrise of RMB50,000,000 at the relevant time. Upon completion of the transfers above, Lin'an Jiasheng held 100% of the equity interest in Tianjin Sunrise, and Tianjin Sunrise became the Target Group's indirect non-wholly-owned subsidiary.

Acquisition of Gaomi Lilangmingde

Gaomi Lilangmingde owns and will operate the Gaomi Lilangmingde WTE facility currently under construction located in Gaomi, Shandong Province.

In September 2015, Hong Kong Lilangmingde Environmental Protection Technology Co., Ltd., an independent third party, agreed to transfer 100% of the equity interest in Gaomi Lilangmingde to the Target Group's indirect wholly-owned subsidiary, Gevin Limited ("**Gevin**"), for a consideration of RMB103,990,000, which was determined based on the registered capital of Gaomi Lilangmingde of US$16,500,000 at the relevant time. Upon completion of the above transfer in December 2015, Gevin held 100% of the equity interest in Gaomi Lilangmingde, and Gaomi Lilangmingde became the Target Group's indirect wholly-owned subsidiary.

EMC Business Injection

Business Restructuring Agreement

On 31 March 2014, Hangzhou Kesheng Energy Technology Co, Ltd. (杭州科晟能源技術有限公司) ("**Hangzhou Kesheng**"), which was then a wholly-owned subsidiary of Win Charm Limited ("**Win Charm**"), entered into a business restructuring agreement (the "**Business Restructuring Agreement**") with a controlling shareholder of the Target Group, Jinjiang Group. Win Charm is a wholly-owned subsidiary of the Jinjiang Group and is one of the controlling shareholders of the Target Group. The purpose of the Business Restructuring Agreement was to consolidate the EMC business of the Jinjiang Group under Hangzhou Kesheng in preparation for the Target Group's acquisition of the EMC services.

Pursuant to the Business Restructuring Agreement, the Jinjiang Group agreed to transfer the rights and obligations under (i) two EMC contracts entered into by the Jinjiang Group as service provider and (ii) the employment contracts with certain employees of the Jinjiang Group to Hangzhou Kesheng at no consideration. This was agreed between the parties on the basis that various costs associated with the initial investment and establishment of the Jinjiang Group's EMC business had been borne by Hangzhou Kesheng prior to the Business Restructuring Agreement. The various transactions pursuant to the Business Restructuring Agreement had been completed as of 1 June 2014.

Following the completion of the Outstanding Mode Share Purchase Agreement (as defined below) on 30 June 2014 pursuant to the EMC business injection, Hangzhou Kesheng became the Target Group's indirect wholly-owned subsidiary.

Outstanding Mode Share Purchase Agreement

On 30 June 2014, the Target Group entered into a share purchase agreement with (i) China Green Energy Limited ("**China Green Energy**"), (ii) Win Charm, a wholly-owned subsidiary of the Jinjiang Group which held the entire issued share capital of Outstanding Mode, and (iii) Grand Energy Co., Ltd. ("**Grand Energy**"), a company incorporated under the laws of the British Virgin Islands and wholly-owned by Ms. Jennifer Wei, the daughter of Mr. Dou Zhenggang (the "**Outstanding Mode Share Purchase Agreement**"). Outstanding Mode in turn indirectly held 100% of the equity interest in Hangzhou Kesheng, which was the holding company for the EMC business of the Jinjiang Group.

Under the Outstanding Mode Share Purchase Agreement, China Green Energy acquired the entire issued share capital of Outstanding Mode from Win Charm, and the Target Group thereafter acquired the entire issued share capital in Outstanding Mode from China Green Energy. The transactions under the Outstanding Mode Share Purchase Agreement were completed on the same day. Accordingly, through the Outstanding Mode Share Purchase Agreement, the Target Group acquired the EMC business of the Jinjiang Group.

Acquisition of 1.0% of the shares in Lin'an Jiasheng from Radec XIX Ltd by Gevin

In December 2010, pursuant to the share subscription and rights agreement entered into on 29 September 2010 (the "**Share Subscription and Rights Agreement**") and as part of the security package for Radec XIX Ltd and AEP Investments (Mauritius) Limited, 1.0% of the equity interest in Lin'an Jiasheng was acquired by Radec XIX Ltd for a consideration of RMB2.7 million, which was determined based on the registered and paid-up capital of Lin'an Jiasheng of RMB270.0 million at the relevant time.

In connection with the listing of the Jinjiang Shares, the relevant parties had agreed in the Share Subscription and Rights Agreement (as amended) to effect the transfer of 1.0% of the equity interest in Lin'an Jiasheng held by Radec XIX Ltd to the Target Group.

Funding and Treasury Policies

The Target Group's working capital and other capital requirements have historically been financed through a combination of cash generated from its operating activities and borrowings from financial institutions. The Target Group's principal uses of cash have been for working capital requirements and capital expenditures.

The Target Group expects to receive approximately S$173.0 million from the net proceeds of the China Jinjiang Offering (assuming the Over-allotment Option is not exercised). It intends to apply the net proceeds received from the China Jinjiang Offering and the cornerstone tranche in relation to the 112,400,000 Jinjiang Shares towards the following:

(i) The acquisition of Zhejiang Zhuji Bafang Thermal Power Co., Ltd. (浙江諸暨八方熱電有限責任公司) and Wenling Green New Energy Co., Ltd. (温嶺綠能新能源有限公司);

(ii) Investment in the Target Group's pipeline and operating WTE projects and technical upgrading works at their existing WTE facilities;

(iii) Repayment of borrowings of the Target Group; and

(iv) Working capital and general corporate purposes.

The Target Group believes that they have adequate working capital for its present requirements and that its net cash generated from operating activities, together with cash and cash equivalents, and the net proceeds from the China Jinjiang Offering, will provide sufficient funds to satisfy its working capital requirements. The Target Group may, however, incur additional indebtedness to finance all or a portion of its planned capital expenditures or for other purposes. In addition, depending on the Target Group's capital requirements, market conditions and other factors, the Target Group may raise additional funds through debt or equity offerings or the sale or other dispositions of shares or assets.

Indebtedness

The following table sets forth information about the Target Group's indebtedness for the Relevant Periods:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
The Target Group			
Guaranteed bank loans *(Note i)*	743,670	536,380	458,200
Secured and guaranteed bank loans *(Notes i and ii)*	285,000	963,000	1,207,330
Secured bank loans *(Note ii)*	25,000	–	–
Secured other borrowings *(Note iii)*	82,142	22,926	–
Secured and guaranteed other borrowings *(Notes i and iii)*	–	–	131,224
Entrusted Loans *(Note iv)*	–	340,000	400,000
Unsecured other borrowings *(Note v)*	12,600	10,740	8,880
	1,148,412	1,873,046	2,205,634
The bank borrowings comprise:			
Fixed-rate borrowings	416,000	610,000	648,000
Variable-rate borrowings	732,412	1,263,046	1,557,634
	1,148,412	1,873,046	2,205,634

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings repayable:			
Within one year	629,389	843,542	534,388
Over one year, but not exceeding two years	129,963	245,406	751,047
Over two year, but not exceeding five years	296,495	610,335	596,499
Over five years	92,565	173,763	323,700
	1,148,412	1,873,046	2,205,634
Less: Amount due within one year shown under current liabilities	(629,389)	(843,542)	(534,388)
Amounts shown under non-current liabilities	519,023	1,029,504	1,671,246

Notes:

(i) Borrowings are secured by guarantees mainly from companies in which a controlling shareholder has control over.

(ii) As at 31 December 2013, 2014 and 2015, the bank loans of RMB310,000,000, RMB235,000,000 and RMB422,700,000 were secured by certain property, plant and equipment and prepaid leases respectively.

As at 31 December 2014 and 2015, the bank loans of RMB200,000,000 and RMB356,000,000 were secured by the pledge of electricity tariffs receivables of subsidiaries.

As at 31 December 2014 and 2015, the bank loans of RMB178,000,000 and RMB148,630,000 were secured by the pledge of electricity tariffs receivables, certain property, plant and equipment of a subsidiary respectively.

As at 31 December 2014 and 2015, bank loans of RMB350,000,000 and RMB280,000,000 were secured by equity interest of 5 subsidiaries and certain property, plant and equipment of 2 subsidiaries respectively.

(iii) As at 31 December 2013 and 2014, loans from other financial institutions of RMB82,142,000 and RMB22,926,000 are repayable by installments over three years from September 2012 at a fixed interest rate at 6.93% per annum.

As at 31 December 2015, bank loans of RMB131,224,000 are repayable by installments over three years from November 2015 at a variable interest rate, approximately 10.48% at the end of 2015. The borrowings were secured by the Target Group's intangible assets.

(iv) As at 31 December 2014 and 2015, the entrusted loans of RMB340,000,000 and RMB400,000,000 are repayable in full in December 2015 and January 2017 at a fixed interest rate of 6.15% and 4.75% per annum.

(v) As at 31 December 2013, 2014 and 2015, borrowings of RMB12,600,000, RMB10,740,000 and RMB8,880,000 are repayable over fifteen years at a variable interest rate at approximately 3.50% per annum. These contracted interest rates are based on floating market rates pegged to the People's Bank of China rate and are repriced on an annual basis.

The ranges of effect interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Effective interest rate:			
Fixed-rate borrowings	6.16% to 7.87%	5.88% to 7.50%	4.75% to 7.50%
Variable-rate borrowings	3.53% to 7.21%	3.28% to 7.38%	3.28% to 10.48%

As at 31 December 2015, the Target Group's combined borrowings were approximately RMB2,205.6 million. As of 31 December 2015, the interest rates on the outstanding amount of the Target Group's banking facilities range from 3.28% to 10.48% per annum and maturity dates of the outstanding amount are from 2016 to 2027. Certain of the Target Group's loan agreements restrict the usage of the funds borrowed to certain uses, including but not limited to refinancing debt, funding project investment costs and working capital.

Details of charges on group assets

Details of the Target Group's secured borrowings for the Relevant Periods are set out on page II-77 of this circular.

Gearing ratio

To the best knowledge and belief of the Directors, information on the gearing ratio of the Target Group as at 31 December 2013, 2014 and 2015 is not available in the Prospectus. Information on the total liabilities and total equity of the Target Group is set out on pages II-4 and II-5 of this circular.

Foreign Currency Risk

All the sales and purchases of the Target Group are denominated in RMB. The Target Group also uses RMB as its reporting currency. As certain bank balances of China Jinjiang's subsidiaries are denominated in foreign currency as a result of their capital contribution, the Target Group are exposed to such foreign currency risk, primarily with respect to US$ and HK$.

As of 31 December 2013, 2014 and 2015, the Target Group did not have significant foreign currency risk exposure. It does not have a foreign currency hedging policy.

Contingent Liabilities

Save for the guarantees given to banks in respect of the bank loans granted to a third party of approximately RMB30,000,000, the Target Group did not have any material contingent liabilities. The Target Group had nil contingent liabilities as at 31 December 2014. The Target Group had nil contingent liabilities as at 31 December 2015.

	At 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Guarantees given to banks in respect of the bank loans granted to a third party	30,000	–	–

As at 25 July 2016, the date of the Prospectus, the Target Group did not have any material contingent liabilities, and it has not extended any financial or corporate guarantees to the Jinjiang Group or to other third parties.

Historical Capital Expenditure

The following table sets forth the Target Group's major capital expenditures by category of expenditures for each of the periods indicated below:

	For the year ended 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	413,552	875,847	733,961
Intangible assets	200,959	23,273	195,268
Prepaid lease payments	115,793	14,081	20,737
Total capital expenditure	730,304	913,201	949,966

For the financial year ended 31 December 2013, 2014 and 2015 and from 1 January 2016 to the date of the Prospectus, the Target Group's capital expenditure related primarily to the construction and acquisition of the Target Group's WTE facilities in the PRC. The increases in capital expenditure on property, plant and equipment and prepaid lease payments during the Relevant Periods and up to the date of the Prospectus were primarily attributable to technical upgrading works and expansion of the waste treatment capacity in respect of certain of the Target Group's existing WTE facilities, the construction of new WTE facilities and pre-treatment alterations to the its existing WTE facilities.

The increase in capital expenditure on property, plant and equipment for the financial year ended 31 December 2013 and 2014 was primarily attributable to (i) technical upgrading works and/or the expansion of the waste treatment capacity of the Target Group's Wuhan Jinjiang WTE Facility, the Target Group's Tianjin Sunrise WTE Facility, the Target Group's Wuhu Jinjiang WTE Facility, the Target Group's Jilin Xinxiang WTE Facility and the Target Group's Lianyungang Sunrise WTE Facility in the financial year ended 31 December 2014, (ii) the construction of the Target Group's Suihua Green Energy WTE Facility and the Target Group's Zibo Green Energy WTE Facility in the financial year ended 31 December 2014 and (iii) investment in property, plant and equipment in respect of the Target Group's EMC business by Hangzhou Kesheng for the financial year ended 31 December 2014 following the EMC Business Injection which was completed in June 2014.

The capital expenditure on intangible assets in respect of the financial year ended 2013 and 2015 are primarily attributable to the construction of the Target Group's Yinchuan Zhongke WTE Facility and the Target Group's Songyuan Xinxiang WTE Facility under BOT concession agreements in the financial year ended 31 December 2013 and 2015, respectively.

The above capital expenditures the Target Group are funded with its internal capital resources and bank borrowings.

Committed Capital Expenditures

The Target Group's committed capital expenditures comprise acquisitions of property, plant and equipment which have been contracted for, primarily in respect of (i) the Target Group's WTE facilities under construction and in the preparatory stage, (ii) expansion of the waste treatment capacity of the Target Group's existing WTE facilities, and (iii) investment in relation to pre-treatment alterations to the Target Group's existing WTE facilities. The following table sets forth the committed capital expenditures of the Target Group as of each date indicated:

	As at 31 December		
	2013	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*
Commitment for the acquisition of property, plant and equipment in respect of:			
WTE facilities under construction and in the preparatory stage	167,004	29,057	87,614
Expansion of existing WTE facilities	42,794	77,109	27,826
Pre-treatment alterations	4,806	1,418	4,571
Total committed capital expenditures	214,604	107,584	120,011

The Target Group expects to finance the above committed capital expenditures and operating lease commitments with its internal capital resources and bank borrowings.

In addition, the Target Group intends to utilise approximately S$53.1 million of the net proceeds from the China Jinjiang Offering (assuming the Over-allotment Option is not exercised) for investment in the pipeline and operating WTE projects and technical upgrading works at the existing WTE facilities.

Business Strategy and Future Plans

The Target Group's goal is to expand its market share and consolidate its position as a leader in China's WTE industry. The Target Group also strives to be a comprehensive waste energy service provider through expansion into other verticals in the WTE industry. The Target Group hopes to achieve this through its strategies and future plans below:

The Target Group intends to maintain its market leading position through organic and inorganic growth opportunities

Firstly, the Target Group intends to expand the waste treatment capacity of its existing WTE facilities. Population growth, rapid urbanisation and the continual improvement of living standards in the PRC is expected to result in an increase in both the volume and calorific value of municipal solid waste generated. However, the constraints in the availability of land resources in certain urban areas present challenges in relation to the construction of new WTE facilities. As such, the expansion of waste treatment capacity at the Target Group's existing WTE facilities is a preferred solution to overcome the aforementioned constraints and capitalise on the projected growth in the volume of waste generated, also taking into consideration the wide geographical distribution of the Target Group's existing WTE facilities.

The expansion of existing WTE facilities has the advantages of requiring lesser capital investment and a shorter development time. For example, the cost of expansion for an additional 1,000 t/d of treatment capacity in the Jilin Xinxiang WTE Plant would be between RMB100 million to RMB150 million and would take between 12 to 18 months for the entire expansion process (including initial negotiations). In contrast, the development of a new WTE facility would require approximately RMB400 million of investment and the entire development process may take approximately 24 to 36 months (from the time of initial negotiations to eventual operational readiness). The Target Group is currently undertaking expansion works to increase waste treatment capacity at its existing Lianyungang Sunrise WTE Facility in Jiangsu Province and Wuhu Jinjiang WTE Facility in Wuhu, Anhui Province, which are expected to be completed in November 2016 and December 2016, respectively. The aforementioned expansion works will in aggregate increase the Target Group's total waste treatment capacity by 1,700 t/d.

Secondly, where the expansion of existing facilities is not possible, the Target Group intends to identify PRC cities located outside the eastern region of the PRC with attractive growth potential, and obtain new concessions in these regions. Specifically, the Target Group intends to expand its business operations mainly in the north-eastern and central regions of the PRC. The Target Group is able to leverage on its technical expertise and prior experience of having dealt with ice and lower calorific values in the municipal solid waste at the its Jilin Xinxiang WTE Facility to support the Target Group's efforts to expand in the north-eastern region of the PRC. In 2014, the Target Group was engaged to undertake management of a waste and sludge incineration plant located in Jilin City, Jilin Province. At present, the Target Group has expanded its business into Songyuan, Hunchun and Baishan in Jilin Province, and Suihua and Qitaihe in Heilongjiang Province, which are all located in the north-eastern region of the PRC.

Thirdly, the Target Group intends to focus on exploring potential acquisition opportunities in the PRC, with a view to increasing the scale of its business operations and cementing its position as a leading industry consolidator in the PRC. Given the Target Group's market leading position, technical expertise, operational efficiency and extensive experience in mergers and acquisitions of WTE assets, the Target Group believes that it is well placed to acquire and turn-around underperforming WTE assets through the adaptation and implementation of the Target Group's own systems. In line with the Target Group's expansion strategy, the Target Group had acquired Gaomi Lilangmingde in December 2015, which will own and operate the Gaomi Lilangmingde WTE facility currently under construction in Gaomi, Shandong Province. The Target Group is also concurrently assessing potential acquisition opportunities in Qujing and Zhaotong in Yunnan Province, which are at a very preliminary stage. Accordingly, the details of the aforementioned potential acquisition opportunities have not been firmed up. Should the Target Group decide to proceed with such acquisitions, they will be funded through a combination of internal funds and external borrowings. The Target Group also has a right of first refusal over and option to acquire certain pipeline assets held by the Jinjiang Group.

The Target Group intends to further improve the Target Group's technical capabilities to enhance its operating efficiency

In response to the ever-changing nature of industry trends and regulatory requirements, the Target Group intends to focus on enhancing operating efficiency and reducing emissions at its WTE facilities through the continual improvement of its technical capabilities. In particular, the Target Group intends to adopt advanced waste incineration and waste dehydration technologies from Europe, in synergy with its own suite of integrated WTE technologies, and increase the pre-treatment of municipal solid waste at its WTE facilities.

Through the pre-treatment process described above, more than 95% of the metals (ferrous and non-ferrous metals) and more than 80% of the glasses and plastics can be sorted and recycled. The Target Group also believes that the moisture content of the waste it collects will generally be reduced from 55%-60% to 25%-30%. The Target Group has negotiated and cooperated with several reputable European equipment manufacturers since 2014, and in 2015, the Target Group commenced the alteration of its operating WTE facilities to include such pre-treatment facilities. All such pre-treatment alterations to existing facilities are expected to be completed by end-2016. The Target Group also plans to establish a new model WTE facility, the Target Group Zibo New Energy WTE Facility, adopting pre-treatment and drying facilities in Zibo, Shandong Province. The Target Group's estimated total investment for the pre-treatment alterations to its existing WTE facilities from 2015 to 2016 is approximately RMB500 million, of which approximately RMB261.0 million has been expended by the Target Group as at the date of the Prospectus, comprising RMB61.3 million on the Target Group's Xiaoshan Jinjiang WTE Facility, RMB59.7 million on the Target Group's Hankou Jinjiang WTE Facility, RMB42.9 million on the Target Group's Hangzhou Yuhang WTE Facility, RMB90.0 million on the Target Group's Lianyungang Sunrise WTE Facility, RMB3.8 million on the Target Group's PLT Energy WTE Facility, RMB1.7 million on the Target Group's Yunnan Energy WTE Facility and RMB1.5 million on the Target Group's Kunming Jinjiang WTE Facility.

The Target Group intends to diversify in the WTE value chain

As a leading WTE company in the PRC, the Target Group places strong emphasis on the efficient treatment of waste throughout the PRC. Although most cities in the PRC already feature the large-scale incineration of waste, the surrounding townships and villages may nonetheless still face challenges in terms of efficient waste treatment and disposal solutions.

The PRC Ministry of Housing and Urban-Rural Development and ten other ministries have jointly released a Guiding Opinion on the Promotion of Waste Management in Rural Areas in November 2015 focusing on waste collection and waste management in rural areas. In line with this policy, the Target Group is considering expanding its WTE business to include establishing satellite waste collection and waste treatment facilities to collect waste in more remote counties which can then be safely handled, repackaged and transported to its WTE facility in larger cities in the PRC. This allows the Target Group to increase the supply and availability of solid waste which can be used for incineration in its WTE plants. In Heilongjiang Province, as at the date of the Prospectus, the Target Group was in discussions with the relevant authorities on setting up a waste collection and treatment facility in Sui Lin County, for waste to be safely transported onward to the Target Group's Suihua Green Energy WTE Facility. Discussions are ongoing and there is currently no indicative timeline for the commencement of the project.

The Target Group also plans to expand its WTE business to other related areas, such as sludge treatment. Sludge of a certain calorific value, after undergoing a dehydration and drying process, can also be used in the WTE process. This capability is unique to the CFB (which means a circulating fluidised bed consisting of an inert material, often sand, in which the fuel mixture is distributed. Fine particles of partly burned coal, ash and bed material are carried along with flue gas to the upper part of the furnace and then into a cyclone which separates sand particles from the exhaust fumes, which are then recirculated to the furnace) (**"CFB"**) interface and the Target Group can further utilise any spare capacity it may have for such sludge treatment. The Target Group believes that there is substantial growth potential in this market which also has strong government support. As at the date of the Prospectus, the Target Group's Wuhu Jinjiang WTE Facility had 200 t/d sludge treatment capacity. The Target Group also has plans to include 20 t/d sludge treatment capacity in the Target Group's Qitaihe Green Energy WTE Facility, which is currently under construction.

The long term objective of the aforementioned measures is to establish the Target Group as an integrated waste management services provider offering a comprehensive suite of waste collection, transportation, pre-treatment and treatment services, and in the process achieve operating synergies as well. The aforementioned measures will be funded through a combination of internal funds and external borrowings.

The Target Group intends to leverage on its market position and experience to grow the Target Group's EMC and third party project management business

The Target Group intends to expand the Target Group's EMC business by pursuing business opportunities with larger customers in the metallurgical, chemical and power industries. The Target Group believes that its experience in energy utilisation for its WTE business and track record in the EMC business will allow it to provide its current and future customers with customised solutions at competitive rates. As at the date of the Prospectus, the Target Group had completed the provision of EMC services with a total contract value of approximately RMB500.0 million, despite only completing the EMC Business Injection in June 2014. The Target Group believes that its expansion strategy will enable the Target Group to make full use of its ongoing relationships with existing customers, but also expand its EMC business to meet the key strategic initiatives of customers in the energy management industry.

The Target Group also plans to expand its project technical and management services business to WTE facilities operated by third parties. As of the date of the Prospectus, save for one EMC contract entered into with an independent third party, all of the Target Group's EMC contracts were entered into with the Target Group's interested persons. The Target Group intends to focus on engineering, procurement, construction services and operational services, and undertake the design, construction, operation and maintenance of third party WTE facilities. This will allow the Target Group to avoid incurring intensive capital expenditures, while giving it the opportunity to utilise and capitalise on its suite of technologies and management experience in the WTE industry through the provision of such services. As at the date of the Prospectus, the Target Group had three such project management agreements whereby the Target Group has provided project design, construction and operational management services for a waste and sludge incineration plant located in Jilin City, Jilin Province, and WTE facilities located in Jingdezhen, Jiangxi Province and Hangzhou, Zhejiang Province, respectively.

The Target Group believes that its EMC and project technical and management services businesses are synergistic with its core WTE business and the further development of its EMC and project technical and management services businesses will allow the Target Group to provide a more comprehensive and integrated waste management service offering to its customers. In addition, the Notice on the Work Arrangements for the Implementation of the National Carbon Emissions Trading Market (關於落實全國碳排放權交易市場建設有關工作安排的通知) promulgated on 9 November 2015 by the National Development and Reform Commission seeks to implement a national platform for carbon emissions trading and may also generate additional EMC opportunities for the Target Group as industry players move to ensure compliance. The Target Group believes that as the WTE market matures, companies which provide a comprehensive suite of waste management service offerings, such as the Target Group, will be able to distinguish themselves from the competition. In this regard, the Target Group's development strategy outlined above provides it with a significant competitive advantage in the long term.

The Target Group intends to expand its business internationally, with a specific focus on South-east Asia and other developing countries

The Target Group intends to expand its WTE business internationally, with a focus on the South-east Asian region (namely Indonesia, Vietnam, Malaysia and Singapore) and other developing countries. The waste produced in South-east Asian countries and other developing countries is generally of a low calorific value, which the Target Group's differential density CFB technology has been specifically adapted to handle in the PRC. Furthermore, the Target Group has already developed capabilities and has demonstrated that the Target Group can further adapt its current technologies for the treatment and management of other types of waste. To this end, the Target Group has also set up a working group which focuses specifically on its overseas expansion plans. The aforementioned working group, which comprises four employees of the Target Group and is chaired by a manager of the international department of the Target Group, is responsible for coordinating the preparatory work and bidding process for overseas projects, as well as liaising and negotiating with the relevant authorities.

The Target Group's overseas expansion plans will be funded through a combination of internal funds and external borrowings. As at the date of the Prospectus, the Target Group was undertaking feasibility studies on potential WTE projects in Indonesia and Vietnam. Once the Target Group has gained a foothold in overseas markets, the Target Group's long term goal is to be internationally recognised as a renowned global waste management company. Through the Target Group's overseas expansion plans and its listing on the SGX-ST, the Target Group believes that it will be able to enhance its brand image and recognition, thereby paving the way to new markets and growing its brand internationally. At the same time, expanding outside of the PRC presents the Target Group with growth opportunities and enables it to acquire new technologies and management experience, which will in the long-run benefit the Target Group both within and outside of the PRC.

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Employees and Remuneration Policy

As at 31 December 2015, the Target Group employed a total of 1,650 persons. Remuneration for the employees of the Target Group includes basic wages, variable wages, bonuses and other staff benefits. For the financial years ended 2013, 2014 and 2015, the Target Group's aggregate expenses from continuing operations for employee benefits were approximately RMB87.3 million, RMB104.4 million and RMB141.4 million, respectively. The Target Group did not have in place any formal bonus or profit-sharing plan or any other profit-linked agreement or arrangement with any of its employees, and bonuses are expected to be paid on a discretionary basis.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the Shares:

Name of Director	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Feng Hailiang (馮海良先生) ("**Mr. Feng**")	Interest of controlled corporation	1,207,207,299 *(Note)*	74.93%

Note:

These Shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and the close associates (as defined in the Listing Rules) of Mr. Feng (including Shanghai Weize Investment Holdings Limited# (上海維澤投資控股有限公司) ("**Shanghai Weize**") which owned 40.26% equity interest in Hailiang Group) ("**Mr. Feng's Associates**"). Accordingly, Mr. Feng was deemed to be interested in 1,207,207,299 Shares under the SFO.

literal translation of the Chinese company name

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions in the Shares or underlying Shares which is discloseable under the SFO

As at the Latest Practicable Date, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the Shares:

Name of Shareholder	Capacity and nature of interest	Number of Shares	Approximate percentage of the Company's issued share capital
Mr. Feng	Interest of controlled corporation	1,207,207,299 *(Notes (1) and (2))*	74.93%
Shanghai Weize	Interest of controlled corporation	1,207,207,299 *(Notes (1) and (2))*	74.93%
Hailiang Group	Interest of controlled corporation	1,207,207,299 *(Notes (1) and (2))*	74.93%
Rich Pro	Beneficial owner	1,207,207,299 *(Notes (1) and (2))*	74.93%

Notes:

(1) These Shares were held by Rich Pro, which was a wholly-owned subsidiary of Hailiang Group which, in turn, was approximately 98.54% owned by Mr. Feng and Mr. Feng's Associates. Accordingly, Mr. Feng, Shanghai Weize and Hailiang Group were deemed to be interested in 1,207,207,299 Shares under the SFO.

(2) The interests of Mr. Feng, Shanghai Weize, Hailiang Group and Rich Pro in 1,207,207,299 Shares referred to in note (1) above related to the same parcel of Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying Shares of the Company as required pursuant to section 336 of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

Mr. Feng, Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士), the Directors of the Company, held directorship and/or interest in companies of Hailiang Group which were engaged in copper and nickel trading businesses (the "**Metal Trading Businesses**") in the PRC. Therefore, Mr. Feng, Mr. Cao Jianguo (曹建國先生) and Ms. Ji Danyang (季丹陽女士) are considered to have interest in businesses which compete or are likely to compete, either directly or indirectly, with the Metal Trading Businesses of the Group pursuant to the Listing Rules.

The Board considered that the Metal Trading Businesses of Hailiang Group do not pose material competitive threat to the Group due to the following reasons:

(a) given the well-established international metal market, information about production, consumption, stocks, trades as well as prices of raw metal materials, such as copper and nickel, are generally available in the public, and the trading of copper and nickel is considered as fairly transparent and direct in the market; and

(b) copper and nickel products across the value chain are traded internationally, and their prices vary largely accordingly to the different markets that they are transacted. Therefore, the settling prices are decided between the seller and buyer (including terminal markets like London Metal Exchange through offer and bid process) by their perception of supply and demand at a particular time on a particular day. Market participants normally complete a transaction by taking advantage of the price fluctuations during a short period of time.

The Board is independent from the board of directors of Hailiang Group. Each of the Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of the Company and avoids any conflicts between his/her duties as a Director and his/her personal interest.

Save as disclosed above, none of the Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the Metal Trading Businesses and/or other business of the Group as at the Latest Practicable Date.

4. DIRECTORS' AND EXPERTS' INTERESTS IN ASSETS

None of the Directors nor the experts (as named in this circular) had any interest, directly or indirectly, in any asset which has, since 31 December 2015 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by, or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting entered into by any member of the Group subsisting as at the Latest Practicable Date and which is significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the date of this circular:

(a) the sale and purchase agreement dated 10 February 2015 between the Company, Hailiang Property Group Australia Pty Ltd ("**Hailiang Australia**") and CHP Group Pty Ltd in relation to the acquisition of the land located at 445-453 Canterbury Road, Campsie, New South Wales 2194, Australia at the consideration of AUD34,000,000. For details, please refer to the Company's announcement dated 22 December 2014;

(b) the underwriting agreement dated 15 May 2015 between the Company and RHB Securities Hong Kong Limited (formerly known as RHB OSK Securities Hong Kong Limited) in relation to the underwriting of the underwritten Shares and other arrangements in respect of the open offer by the Company at the underwriting commission rate of 0.75%. For details, please refer to the Company's announcement dated 15 May 2015;

(c) the due diligence fee deed dated 19 May 2015 entered into between The Trust Company Limited ACN 004 027 749 and Hailiang Australia in relation to the due diligence on two pieces of land in Sydney, New South Wales, Australia at the consideration of AUD7,375,000. For details, please refer to the Company's announcement dated 19 May 2015;

(d) the takeup offer dated 27 May 2015 issued by the Company to Maxida International Alexandria Property Australia Pty Ltd ("**Maxida Australia**") in relation to the due diligence fee deed of two pieces of land in Sydney, New South Wales, Australia at the due diligence fee of AUD7,375,000. For details, please refer to the Company's announcement dated 27 May 2015;

(e) the trade confirmation dated 25 July 2016 between Sable International and the Underwriter in relation to the Subscription at the aggregate subscription price of S$19,287,900; and

(f) the development management agreement dated 5 August 2016 (the "**Development Management Agreement**") entered into between Hailiang Australia and Maxida Australia in relation to the real estate development project (the "**Project**") on the land at 205 – 225 Euston Road, Alexandria, New South Wales, Australia. Pursuant to the Development Management Agreement, Maxida Australia agreed to engage Hailiang Australia to manage the Project and Hailiang Australia will be entitled to an annual development management fee in the amount of AUD600,000. For details, please refer to the Company's announcement dated 5 August 2016.

9. GENERAL

(a) The secretary of the Company is Ms. Chan Yuk Yee, who is an associate member of both of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(b) The head office and principal place of business of the Company in Hong Kong are at Unit 1506A, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong.

(c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The English text of this circular shall prevail over its Chinese text.

10. QUALIFICATIONS AND CONSENT OF EXPERTS

The qualifications of the experts who have been named in this circular or have given opinions or advice which are contained in this circular are set out below:

Name	**Qualification**
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Deloitte & Touche LLP	Public accountants and Chartered accountants, Singapore

(a) As at the Latest Practicable Date, neither ZHONGHUI ANDA CPA Limited nor Deloitte & Touche LLP had any interest, direct or indirect, in any member of the Group or any right (whether legally enforceable or not), to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(b) As at the Latest Practicable Date, neither ZHONGHUI ANDA CPA Limited nor Deloitte & Touche LLP had any interest, direct or indirect, in any assets which have been since 31 December 2015, the date up to which the latest published audited financial statements of Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Each of ZHONGHUI ANDA CPA Limited and Deloitte & Touche LLP has given and has not withdrawn its written consent to the issue of this circular with the inclusion in this circular of its report and/or references to its name in the form and context in which it appears.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 1506A, Level 15, International Commerce Center, 1 Austin Road West, Kowloon, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any business days for a period of 14 days from the date of this circular:

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the year ended 31 December 2013;

(c) the annual report of the Company for the year ended 31 December 2014;

(d) the annual report of the Company for the year ended 31 December 2015;

(e) the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the accountant's report from ZHONGHUI ANDA CPA Limited in respect of the unaudited pro forma consolidated financial information of the Group, the text of which is set out in Appendix III to this circular;

(g) the written consent from each of ZHONGHUI ANDA CPA Limited and Deloitte & Touche LLP referred to under the section headed "Qualifications and Consent of Experts" in this appendix;

(h) the material contracts as referred to in this section headed "Material Contracts" in this appendix; and

(i) this circular.