綠色動力環保集團股份有限公司

Dynagreen Environmental Protection Group Co., Ltd.

(A joint stock limited liability company incorporated in the People's Republic of China)
Stock Code : 1330

ANNUAL REPORT 2016

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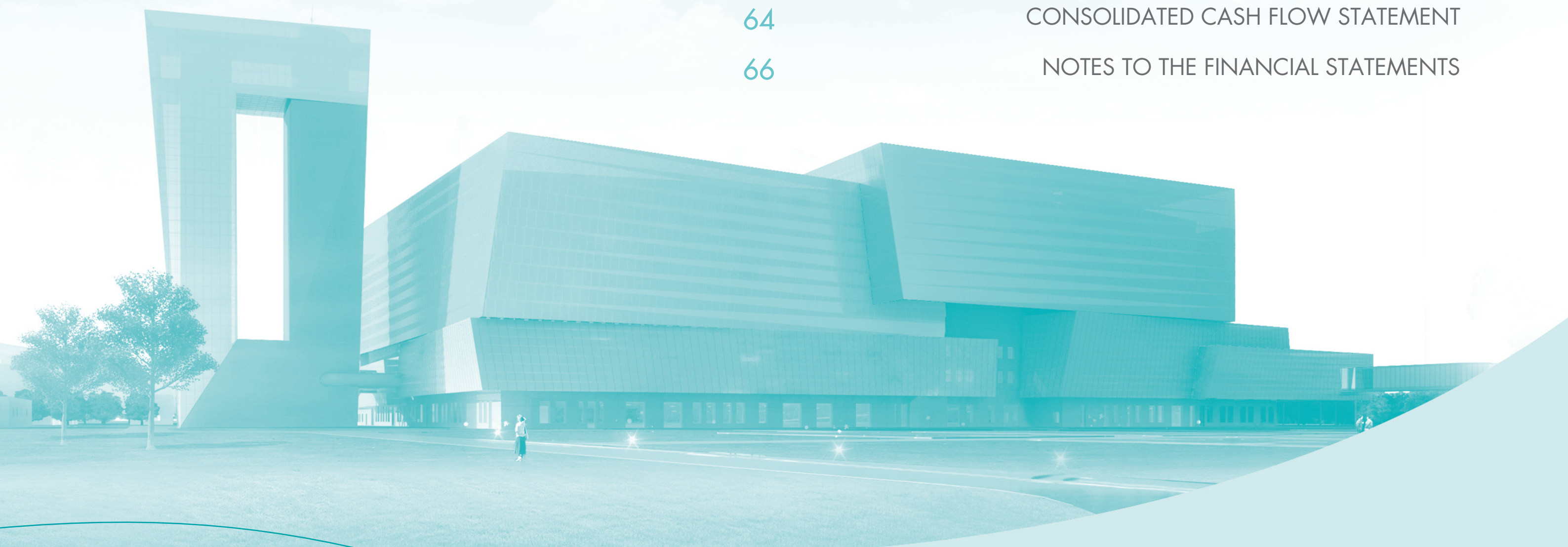


CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Directors

Mr. ZHI Jun *(Chairman)*
Mr. GUO Yitao
Mr. LIU Shuguang
Mr. MA Xiaopeng

Executive Directors

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

Independent Non-executive Directors

Ms. CHEN Xin
Mr. KWAN Kai Cheong
Mr. OU Yuezhou

AUDIT COMMITTEE

Mr. KWAN Kai Cheong *(Chairman)*
Ms. CHEN Xin
Mr. MA Xiaopeng

REMUNERATION AND APPRAISAL COMMITTEE

Ms. CHEN Xin *(Chairman)*
Mr. GUO Yitao
Mr. OU Yuezhou

NOMINATION COMMITTEE

Mr. OU Yuezhou *(Chairman)*
Mr. MA Xiaopeng
Mr. KWAN Kai Cheong

STRATEGY COMMITTEE

Mr. ZHI Jun *(Chairman)*
Mr. GUO Yitao
Mr. LIU Shuguang
Mr. QIAO Dewei
Mr. OU Yuezhou

SUPERVISORY COMMITTEE

Mr. Luo Zhaoguo *(Chairman)*
Mr. Liu Jinsong
Ms. Hu Fang

JOINT COMPANY SECRETARIES

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

AUTHORIZED REPRESENTATIVES

Mr. QIAO Dewei
Mr. ZHU Shuguang

LEGAL ADVISOR AS TO HONG KONG LAW

Morrison & Foerster

AUDITOR

KPMG

PRINCIPAL BANKERS

Bank of Beijing Co., Ltd
HSBC Bank (China) Company Limited
Asian Development Bank

SHARE REGISTRAR

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

COMPANY'S WEBSITE

www.dynagreen.com.cn

REGISTERED OFFICE (PRINCIPAL PLACE OF BUSINESS IN THE PRC)

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

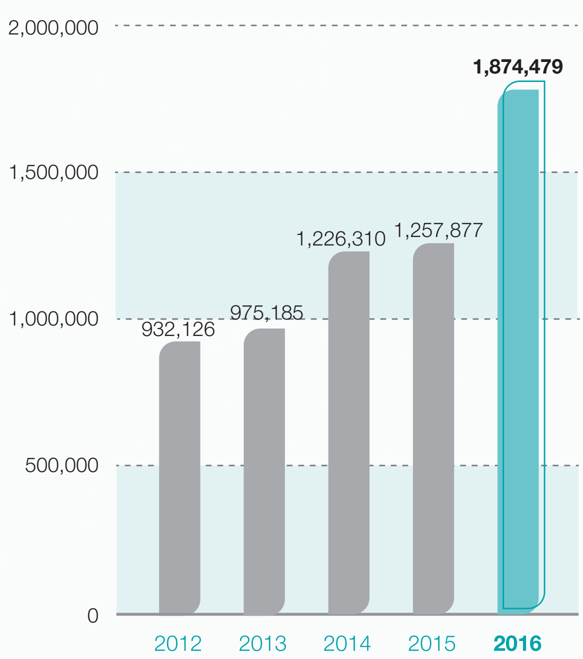
STOCK CODE

1330

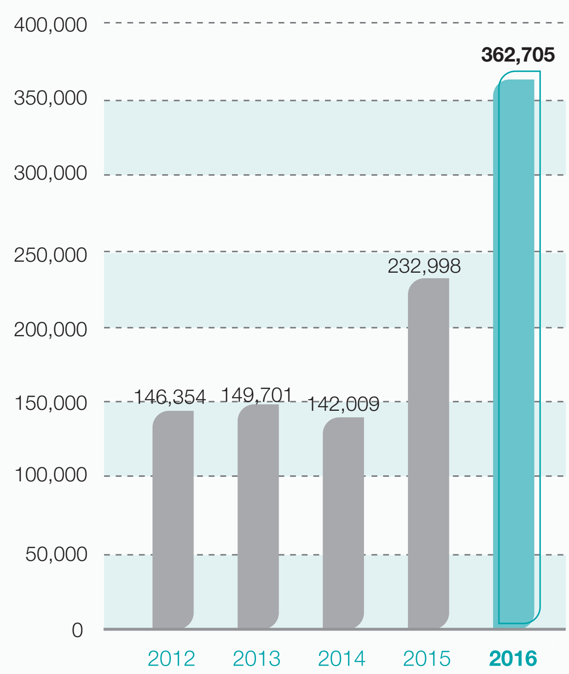
FINANCIAL HIGHLIGHTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Results					
Turnover	**1,874,479**	1,257,877	1,226,310	975,185	932,126
Gross profit	**587,465**	417,825	377,151	287,163	233,177
Gross profit margin	**31.34%**	33.22%	30.75%	29.45%	25.02%
Total comprehensive income for the year attributable to equity shareholders of the Company	**362,705**	232,998	142,009	149,701	146,354
Financial position					
Total assets	**6,349,019**	5,086,169	4,462,217	3,350,495	2,413,193
Total liabilities	**3,604,274**	2,675,779	2,284,825	2,139,062	1,216,541

Turnover
(RMB'000)



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



CHAIRMAN'S STATEMENT

Dear shareholders,

I am pleased to present the shareholders of Dynagreen Environmental Protection Group Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") with the Company's business review for the year of 2016 and the prospects for the year of 2017.

In 2016, economic growth in China stabilized from slowing down and saw signs of bottoming out, thus signifying a good beginning of the "13th Five-Year Plan". Environmental issues remained the shortest plank of the economic development and social progress in China. Therefore, the Chinese government continued to encourage the development of the environmental protection industry and boost the construction of environmental protection facilities. The programmatic plans for the environmental protection industry such as the "13th Five-Year" Eco-Environmental Protection Plan (《「十三五」生態環境保護規劃》) and the "13th Five-Year Plan" for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》) were promulgated in turn, which specified the development direction of the environmental protection industry and brought about great development opportunities.

In 2016, the development of the Company reached a new stage. The profit for the year broke through the milestone of RMB200 million for 2015 and achieved a huge leap forward to RMB356 million with a year-on-year increase of 57%. The number of the operating projects increased to ten. Both household waste treatment capacity and on-grid electricity recorded new highs. The Company entered Jiangxi Province for the first time by successfully winning the bid for the Jiangxi Yichun waste-to-energy project. The Company had projects operating in thirteen provincial-level divisions and took the lead among the waste-to-energy enterprises which had a wide presence in China. Its A share IPO application was accepted by the China Securities Regulatory Commission in June 2016, thereby successfully stepping forward towards the A share market.

The Company consistently developed based on the principle of "generating social benefits as the primary goal while economic efficiency as the basis". In 2016, the Company strictly implemented the environmental emission standard. The Company met relevant emission standards and maintained safety production throughout the year. It operated in harmony with the community, and achieved a win-win situation with stakeholders such as customers and suppliers. Hence, the good corporate image of the Company has been strengthened.

2017 will remain a year of green development. The development objectives under the "13th Five-Year" Eco-Environmental Protection Plan (《「十三五」生態環境保護規劃》) and the "13th Five-Year Plan" for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》) will be gradually implemented. The development of the waste-to-energy industry will remain to be promising in the stage of strategic opportunities. When the potential of the market is unleashed, the competition in the industry will also become more intense. As a leading company in the waste-to-energy industry in China, the Company takes a serious view on its market development. It will grasp any opportunities arising in the industry by capitalizing on its own competitive edges, as well as multi-pronged measures. The Company will continue to expand its major operations and further enhance its position in the industry, thereby achieving better results for the shareholders as a whole, and contributing to building a Beautiful China.

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

Zhi Jun
Chairman

Shenzhen, the PRC
23 March 2017

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

2016 marked the first year of China's "13th Five-Year Plan". Guided by the concepts of "innovation, coordination, green, openness and sharing" and aimed at dealing with the severe conditions of environmental protection, the Environmental Protection Tax Law (《環境保護税法》) was finally enacted. Various significant environmental policies or plans, namely the Action Plan for Soil Pollution Prevention and Control (《土壤污染防治行動計劃》), the Opinions on Cultivating Market Players for Environmental Governance and Ecological Protection (《關於培育環境治理和生態保護市場主體的意見》), the "13th Five-Year" Eco-Environmental Protection Plan (《「十三五」生態環境保護規劃》) and the "13th Five-Year Plan" for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》) , which came into force, provided new opportunities for the development of environmental protection industry.

As an important part of the environmental protection industry, the PRC waste-to-energy sector continued its growing trend in 2016. A number of waste-to-energy plants planned and constructed under the "12th Five-Year Plan" for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十二五」全國城鎮生活垃圾無害化處理設施建設規劃》) gradually commenced operation, pushing the sector's overall treatment capacity to a new level. A number of new projects started the process of tendering and construction, and the proportion of projects located in the central and western China gradually increased, reflecting the new trend in this sector. At the same time, NIMBY (Not In My Back Yard) reactions led to frequent incidents of collective actions against waste-to-energy plants, which increased the difficulty of site selection and operation of waste-to-energy plants.

BUSINESS REVIEW

In 2016, with the collaboration and hard work of all colleagues and staff, the Group made good achievements in all aspects. The Group's A-share listing application was formally accepted for processing by the China Securities Regulatory Commission in June 2016, thereby successfully stepping forward towards the A share market. With the electricity generation of the Huizhou Project and Jixian Project coming on stream, the Group had ten operating projects, placing the Group in a leading position of the industry. The projects that had been put into operation "maintained stable operation and met standard emission" while the volume of waste treatment and on-grid electricity achieved new highs. The Ninghe Project, Bengbu Project and Tongzhou Project commenced construction one after another, and the preparation work progressed orderly. There were also new achievements in technological innovation as internal management continued to improve.

In 2016, the Group achieved a revenue of approximately RMB1,874.48 million (representing an increase of 49% as compared to the same period last year), profit before taxation of approximately RMB427.71 million (representing an increase of 67% as compared to the same period last year), and profit for the year of approximately RMB356.46 million (representing an increase of 57% as compared to the same period last year). As at 31 December 2016, the total assets and total equity of the Group amounted to approximately RMB6,349.02 million and approximately RMB2,744.75 million respectively.

(1) Steady and safe operation of projects under operation, meeting environmental standards, treating an aggregate of 3.17 million tons of municipal solid waste and realizing 770 million kWh of on-grid electricity

In 2016, the Group highly focused on its operation management works, working around the "safe, environmental friendly, civilized and effective" operational concept, while consistently raising the awareness of standardized and refined management of each operation project. Excellent results were achieved in the management of each project under operation. Under the stable running of production throughout the year, emission levels were up to standards which were in full compliance with the new Standard for Pollution Control on Municipal Solid Waste Incineration (《生活垃圾焚燒污染控制標準》). The Group was also committed to developing new sources of income, cutting costs and exploring waste supply in order to enhance economic efficiency.

In 2016, the Group treated 3.17 million tons (inclusive of landfill) of municipal solid waste, representing an increase of 17% as compared to the same period in 2015. In 2016, the Group realized on-grid electricity of 770 million kWh, representing growth of 37% as compared to the same period in 2015. As at the end of 2016, daily processing capacity of the Group's waste incineration was 7,850 tons.

(2) Projects under construction progressed smoothly, Huizhou Project and Jixian Project put into operation, Ninghe Project, Bengbu Project and Tongzhou Project commenced construction, preparation work proceeding in an orderly manner

In 2016, the Group had six projects under construction, which progressed smoothly. The Huizhou Project and Jixian Project were completed and put to trial operation in May 2016. As at the end of 2016, the Jurong Project was almost completed, while 74%, 40% and 24% of the construction works of the Ninghe Straw-fed Project, Bengbu Project and Tongzhou Project were completed, respectively. The preparation work of projects in Bobai, Miyun, Shantou, Longhui and Hongan had been proceeding in an orderly manner.

(3) Reaching new horizons in market development, outstanding achievements in financing activities, encouraging progress in technology research and development

With regard to project development, the Group leveraged its integrated competitive edges, proactively developed waste-to-energy projects, and for the first time entered the market in Jiangxi Province. In February 2016, the Group won the Yichun Project of a designed capacity of 1,500 tons per day. The Yichun Project has a total investment amount of approximately RMB700 million and a concessionary period of 30 years. The Group entered into the operating licence agreement of the collection and transfer of municipal waste-to-energy with Dongkou County, Hunan Province, to transfer the municipal waste from Dongkou County to the Longhui project for treatment, successfully realized the cooperation between the waste treatment regions again.

With regard to financing, the Group continued to expand its financing channels, strengthened its cooperation with various financial institutions, and actively obtained credit facilities from banks. In 2016, the Group obtained comprehensive credit facilities of RMB1,300 million and long-term loans of approximately RMB1,900 million for various project companies. The Group continued to improve and adjust the loan structure by way of early repayment of loans and lowering the interest rate of loans, which enabled the Group to save finance cost up to more than RMB10 million every year.

With regard to technology research and development, taking on the experience of grate installation and commissioning of the Huizhou Project, design and drawings for a new generation 400-ton grate incinerator were completed according to the construction progress of the Bobai Project. Based on the experience and feedbacks from past projects, installation instruction manuals and construction information manuals of the 250-ton, 350-ton and 400-ton series of incinerators were compiled, allowing the Group to be technically prepared in subsequent project construction and in exporting its three-drive grate incinerators. Two sets of 350-ton grate incinerator were provided to the municipal waste-to-energy project of Changwat Suratthani (素叻他尼), Thailand.

(4) Further optimizing the management structure, talent pool and various areas of internal management

In respect of human resources, the Group pays close attention to building its core management team in 2016. Three new deputy general managers were added, whereby the age and professional qualifications of the management were refined. The Group also recruited a number of mid-level management personnel and enhanced training for back-up staff, forging a talent development system with Dynagreen's characteristics. To meet the rapid business growth, the Group actively explored recruitment channels, encouraged staff referral and continued to build up its talent pool. The Group also issued the Human Resource Management Measures for Senior and Middle Management Personnel (《中高層管理人員管理辦法》), clearly defining the qualification, selection and appointment process of senior and mid-level management personnel. Management training was optimized and innovated, and the Group launched the training program for "interviewers". Project performance appraisal methods were also improved and optimized.

As at 31 December 2016, the Group had a total of 1,241 staff members.

In respect of internal control, the Group placed great emphasis on internal management and continued to enhance its systems and mechanisms on internal control. The Group formulated the "Management Measures on Internal Control Evaluation" in order to improve its self-appraisal system on internal control. With a view to minimizing its legal risks, the Group also strengthened its management on legal affairs so that legal professionals could participate more in the Group's operation and management. The Group formulated its internal audit plan and conducted internal audits pursuant to the requirements for listed companies in Hong Kong. The Group also conducted specific audits on its subsidiaries, key departments and key posts pursuant to the audit plan.

In respect of intellectual property rights, the Group continued to strengthen its protection of intellectual property rights. In 2016, 8 new patent applications were made and 11 new patents were granted. As at the end of 2016, the Group had 9 invention patents and 23 utility model patents in total.

BUSINESS OUTLOOK

Industry Prospects

In November 2016, the “13th Five-Year” Eco-Environmental Protection Plan (《「十三五」生態環境保護規劃》) issued by the State Council of the PRC defined the objectives and initiatives of environmental protection during the “13th Five-Year Plan”. The development plan put forward the implementation of the development concepts of “innovation, coordination, green, openness and sharing” by carrying out the strictest environmental protection system and fighting the three major battles of preventing air, water and soil pollution in view of strengthening environmental protection and restoration. In particular, for waste treatment, it provides the acceleration of urban waste facilities construction in order to achieve full coverage of urban waste treatment facilities. Over 95% of the domestic garbage for all cities in the PRC will be subject to detoxification treatment and over 90% of the domestic garbage from the village will be effectively treated in order to expeditiously solve the issue of “Rubbish Villages”. The development of waste-to-energy technology in cities of large and medium sizes is emphasized with an aim of encouraging cooperation in the construction and sharing of waste treatment facilities and of increasing the collection rate in waste treatment fee.

The “13th Five-Year Plan” for Nationwide Municipal Waste Detoxification Treatment Facilities Construction (《「十三五」全國城鎮生活垃圾無害化處理設施建設規劃》) issued at the end of 2016 indicated the nationwide municipal waste treatment capacity in China will be approximately 235,000 tons/day by the end of “12th Five-Year Plan” representing a municipal waste detoxification treatment capacity ratio of 31%, which is lower than the target of 35% formulated in the “12th Five-Year Plan” in 2015. According to the plan, the capacity of the treatment facilities of municipal solid waste in towns nationwide will represent over 50% of the total capacity for detoxification treatment by the end of 2020, For the Mid-Eastern Region, the capacity will account for over 60%. The municipalities, the five municipalities with independent planning status and the provincial capitals should endeavour to achieve “Zero landfill” of raw garbage.

Therefore, the “13th Five-Year” period will continue to be a period with significant opportunities for the development of the waste-to-energy industry.

Prospects of the Company

Waste treatment industry has a huge market while becoming more and more competitive. The Group will endeavor to complete the listing of its A Shares as soon as possible, while leveraging its own competitive advantages in talent, branding, technology and economies of scale to continue penetrating into the waste-to-energy sector and maneuvering on both domestic and foreign capital markets. The Group will enthusiastically develop projects in multiple ways and achieve innovation in project construction and excellence in project operation, making the waste-to-energy business into a bigger and stronger industry and strengthening the Group’s leading position in the industry. Through effective corporate governance, the Group will build a sound foundation for development, enhance efficiency and improve internal control in order to realize excellent results to pay back the support of and trust from shareholders.

As a leader in the environmental protection industry, the Group will continue to uphold its core philosophy of “generating social benefits as the primary goal while economic efficiency as the basis”, working together with customers, suppliers, employees, community residents and other stakeholders in a win-win cooperation and contributing to social progress, economic growth and environmental treatment.

Major risk factors and measures adopted

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Financial Position and Profit for the Year

For the year ended 31 December 2016, the Group achieved a turnover of RMB1,874,479,000 and profit for the year of RMB356,459,000. As at 31 December 2016, the Group's total assets and total liabilities amounted to RMB6,349,019,000 and RMB3,604,274,000 respectively. The total equity amounted to RMB2,744,745,000 and the gearing ratio (calculated as total liabilities over total assets) was 56.8%, and the net asset value per share attributable to equity shareholders of the Company was RMB2.63.

Revenue Analysis

During the reporting period, the Group achieved a turnover of RMB1,874,479,000 (2015: RMB1,257,877,000), representing an increase of 49% as compared to 2015. The increase was mainly due to (1) there was an increased number of under construction projects in Huizhou, Jixian, Jurong, Ninghe, Tongzhou and Bengbu in 2016 as compared to 2015 leading to the increased construction income; (2) the Huizhou Project and Jixian Project were completed and put into trail operation in May 2016, as a result the increased number of operating projects led to increased operation income; (3) the Changzhou Phase II Project and Wuhan Project were included in the directory of national renewable energy subsidies in October 2016, confirming the income from national renewable energy subsidies for the current period and previous periods.

In particular, revenue from waste-to-energy project construction services amounted to RMB1,209,241,000 (2015: RMB737,779,000), representing an increase of 64% as compared to 2015, mainly due to an increase in the number of construction projects. Revenue from waste-to-energy project operation services amounted to RMB521,088,000 (2015: RMB396,849,000), representing an increase of 31% as compared to 2015. The increase was mainly due to a higher number of projects under operation. The Jixian Project and Huizhou Project were put into trail operation in May 2016, while the Anshun Project was completed in July 2015 and was in operation throughout 2016. Finance income amounted to RMB144,150,000 (2015: RMB123,249,000), representing an increase of 17% as compared to 2015. The increase was mainly due to the increased number of projects under construction and projects in operation.

Other Revenue

During the reporting period, other revenue of the Group amounted to RMB74,009,000 (2015: RMB45,843,000), mainly due to the increase in income of value-added tax refund.

Gross Profit and Gross Profit Margin

During the reporting period, the gross profit of the Group increased by 41% to RMB587,465,000 (2015: RMB417,825,000) and the consolidated gross profit margin was 31% (2015: 33%), mainly due to an increase in the ratio of construction gross profit to operation gross profit, while the construction gross profit margin was about 17%, which was lower than the operation gross profit margin of about 47%, therefore pulling down the consolidated gross profit margin.

Administrative Expenses

In 2016, the administrative expenses of the Group amounted to approximately RMB112,354,000 (2015: RMB97,828,000), which accounted for approximately 6.0% (2015: 7.8%) of the turnover of Group. The administrative expenses showed a decrease as compared to the previous year.

Finance Costs

For the year ended 31 December 2016, the finance costs for the Group amounted to RMB120,115,000, representing an increase of approximately RMB11,397,000 over the previous year. This was mainly due to the increased number of construction projects requiring substantial capital investment and as a result the Group's borrowing from financial institutions increased.

Profit before Taxation

During the reporting period, the profit before taxation of the Group amounted to RMB427,708,000, representing an increase of approximately RMB171,495,000 as compared to 2015, which was mainly due to the increase in operating income.

Income Tax

In 2016, the income tax expenses of the Group amounted to approximately RMB71,249,000 (2015: RMB29,455,000), accounting for approximately 17% (2015: 11%) of profit before taxation of the Group. The ratio of income tax expenses to profit before taxation increased mainly due to (1) the income tax refund has decreased significantly in 2016 as compared to 2015; (2) the Taizhou Project and Wuhan Project were in the "3-year exemption" tax period in 2015 and the income tax rate was 0% in 2015 accordingly, but entered into the "3-year half payment" tax period in 2016, with an income tax rate of 12.5% in 2016, income tax expenses increased as a result.

Total Comprehensive Income for the Year attributable to Equity Shareholders of the Company

During the reporting period, the total comprehensive income attributable to equity shareholders of the Company was RMB362,705,000 (2015: RMB232,998,000). The increase was mainly due to the increase in profit during the period.

Financial Resources and Liquidity

The Group adopts prudent principles in cash and financial management to ensure proper risk management and reduction in costs of fund. It finances its operations primarily from cash flow generated internally and loans from principal banks. As at 31 December 2016, the Group had cash and cash equivalents of approximately RMB535,413,000, representing an increase of RMB770,000 as compared to RMB534,643,000 at the end of 2015. Cash balance remains stability was mainly attributable to the large amount of cash inflows arising from financing activities and cash outflows in projects constructing activities.

As at 31 December 2016, the Group's gearing ratio increased from 52.6% in 2015 to 56.8%. The increase was mainly due to the increase in loans and borrowings, while net assets increased by RMB334,355,000 and total liabilities increased by RMB928,495,000 as compared to 2015, therefore leading to the increase in the gearing ratio.

Capital Management

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

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

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

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

Loans and Borrowings and Pledge of Assets

As of 31 December 2016, the Group had total outstanding borrowings of approximately RMB2,622,545,000, representing an increase of RMB723,888,000 as compared to RMB1,898,657,000 at the end of 2015. The borrowings included secured loans of RMB1,024,913,000 and unsecured loans of RMB1,597,632,000. The Group's borrowings were denominated in Renminbi and Hong Kong dollars. Most of the Group's borrowings were at floating rates. As of 31 December 2016, the Group had banking facilities in the amount of RMB5,100,078,000, of which RMB1,638,598,000 had not been utilized. The credit facilities had terms ranging from 1 year to 15 years. The Group currently does not have any interest rate hedging policies. However, the management team keeps monitoring the Group's interest rate risks and would consider other necessary actions when significant interest rate risks are anticipated.

Certain receivables and operating rights in connection with the Group's service concession arrangements (including intangible assets, gross amounts due from customers for contract work and trade and other receivables) were pledged under the credit facilities. The book value of the pledged receivables and operating rights amounted to approximately RMB2,563,380,000 as at 31 December 2016.

Contingent Liabilities

The Company has issued financial guarantees to banks in respect of the banking credit granted to certain subsidiaries. The directors of the Company (the "**Directors**") do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2016 and 31 December 2015 under the guarantees was the facility drawn down by the subsidiaries of RMB1,538,446,000 and RMB870,809,000 respectively.

Commitments

As at 31 December 2016 and 31 December 2015, the Group's outstanding purchase commitments in relation to construction contracts which had not been provided for in the Group's annual financial statements were RMB683,500,000 and RMB302,397,000 respectively.

As of 31 December 2015, the Group's and the Company's outstanding commitments in relation to the investment in associated company Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd. which had not been provided for in the Group's annual financial statements was RMB14,000,000. There was no any outstanding capital commitment in connection with the capital contribution as at 31 December 2016.

The setting up of Shenzhen Truvalue-Dynagreen Investment Partnership (Limited Partnership) ("**Truvalue-Dynagreen**"), which was proposed to be set up under a partnership agreement entered into between the Company and Truvalue Asset Management Co., Ltd. on 29 September 2015, has not proceeded further due to adjustments in the relevant regulatory policies and regulations. The partnership agreement has been terminated in accordance with its provisions, and as such the Company did not have any capital commitment to Truvalue-Dynagreen as at 31 December 2016 (31 December 2015: RMB270,000,000).

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

	2016 RMB'000	2015 RMB'000
Within 1 year	530	1,445

Foreign Exchange Risks

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

Significant Investments, Acquisitions and Disposals

For the year ended 31 December 2016, the Group did not make any significant investments, acquisitions or disposals in relation to its subsidiaries and associated companies.

Details of Future Material Investment and Capital Assets Planning

As at 31 December 2016, save for the investment or construction of the waste-to-energy project won by the Company through tender as announced in prior announcements and described in this annual report, the Group has no plan for material investment or acquisition of capital assets, but the Company will actively pursue opportunities for investments in its ordinary course of business in order to enhance its profitability.

Human Resources and Remuneration Policies

As at 31 December 2016, the Group had a total of 1,241 staff members.

The Group uses a set of fixed criteria in staff assessment and continuously seeks to improve its staff remuneration and benefits programs.

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

FINAL DIVIDEND

The Board recommends the payment of a dividend of RMB0.06 (before tax) per share for the year ended 31 December 2016 (the "**2016 Final Dividend**"), amounting to RMB62,700,000 in aggregate.

According to the Articles of Association of the Company, dividends shall be denominated and declared in Renminbi. The proposed final dividend is subject to shareholders' approval at the upcoming annual general meeting of the Company (the "**AGM**"). Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The exchange rate shall be the average sell price of the applicable foreign exchange rate announced by the People's Bank of China for seven days before and including the date of the AGM. The payment of the 2016 Final Dividend is expected to be made on 1 August 2017, subject to consideration and approval of the shareholders at the AGM.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124)《(國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau). For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organizations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)). Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company.

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

USE OF PROCEEDS

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

As of the date of this annual report, HK$1,126 million had been utilized for the purpose stated on the ordinary resolution in relation to change of use of proceeds passed at the second extraordinary general meeting in 2014 held on 7 November 2014.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Non-executive Directors

Mr. Zhi Jun (直軍), aged 54, is the Chairman of the Board and became a non-executive Director of our Company on 11 April 2012. Mr. Zhi served as a financial officer of Beijing Public Transport Company (北京市公共交通總公司) from August 1985 to December 1987, and served as the deputy financial director of that company from December 1987 to May 1992. He served as the Finance Department Chief (deputy level) of Beijing Tramways (北京市電車公司) from May 1992 to April 1993, and served as the deputy financial director of Beijing Public Transport Company (北京市公共交通總公司) from April 1993 to August 1994, then served as the financial director from August to October 1994, and served as the chief accountant of that company from October 1994 to September 2004. Between September 2004 and November 2006, Mr. Zhi served as the director and chief accountant of Beijing Public Transport Holdings, Ltd. (北京市公共交通控股(集團)有限公司), and he served as the director, deputy general manager, chief accountant of that company from November 2006 to March 2010. Since February 2011, Mr. Zhi has served as the president of Beijing State-owned Assets Management Co., Ltd. ("BSAM"). He resigned from the position as a chairman of Beijing Science Park Development (Group) Co., Ltd. (北京科技園建設(集團)股份有限公司) in May 2016. Since June 2016, Mr. Zhi has served as a chairman of Beijing Xinlongfu Culture Investment Co., Ltd. (北京新隆福文化投資有限公司). He has also served as a chairman of Beijing Guoyuan Sports & Culture Investment Co., Ltd. (北京國苑體育文化投資有限責任公司) since December 2016. Mr. Zhi graduated from Beijing Economics College (北京經濟學院) majoring in Finance and Accounting in August 1985. Mr. Zhi qualified as a senior accountant, the certificate of which was issued by the Evaluation Committee of Senior Professional Technology Position (北京市高級專業技術職務評審委員會), in November 1996. Mr. Zhi is the Chairman of the Company's Strategy Committee.

Mr. Guo Yitao (郭燚濤), aged 44, became a non-executive Director of our Company on 18 April 2016. He has served as the business manager of the strategy development department, senior business manager of the strategy development department (legal affairs), vice president and general manager of the strategy development department and general manager and strategic management director of the strategy management and the strategy development department of BSAM since March 2005. Mr. Guo served as a clerk, senior clerk and office senior clerk of the budget division of the Finance Bureau of Haidian District, Beijing from July 1996 to July 2001. Mr. Guo served as an analyst of the investment research centre, senior investment manager of investment department and senior analyst of investment research center of Hongyuan Securities Co., Ltd. between August 2001 and March 2005. Mr. Guo graduated from Beijing Forestry University and obtained a bachelor degree in accounting in July 1993. He obtained a master degree in financial accounting in July 1996 and obtained a PhD degree in forestry economic management in July 2010. Mr. Guo is a member of the Remuneration and Appraisal Committee and the Strategy Committee of the Company.

Mr. Liu Shuguang (劉曙光), aged 48, became a non-executive Director of our Company on 11 April 2012. Mr. Liu served as a director and the vice-president of Beijing Taikeping Electrical Appliances Limited Company (北京泰克平電子儀器有限公司) between July 1991 and June 1992. Mr. Liu served as a director and the vice-president of Beijing Huatai Industrial Company (北京華泰實業總公司) from June 1992 to April 1994. Mr. Liu also served as the legal representative and president of Beijing Jupeng Investment Company from April 1994 to May 2016. Since May 2016, Mr. Liu has served as a director of Beijing Jupeng Investment Company. Between October 2003 and December 2011, Mr. Liu also served as the deputy chairman of the Board of Capital Securities Co., Ltd. (首創證券有限責任公司). From May 2011 to April 2012, Mr. Liu served as a Director of Dynagreen Environmental Engineering Co., Ltd. Mr. Liu obtained his Executive Master of Business Administration degree from China Europe International Business School (中歐國際工商學院) in September 2007. Mr. Liu is a member of the Strategy Committee of the Company.

Mr. Ma Xiaopeng (馬曉鵬), aged 38, became a non-executive Director of our Company on 7 November 2014. He is currently the general manager of the department of urban functional zone development and social undertakings of BSAM, as well as the chairman of BSAM Environmental Protection Technology Limited (北京國資環境保護技術有限公司). Between July 2005 and June 2010, Mr. Ma served as the project manager at Beijing Municipal Engineering Consulting Corporation (北京市工程諮詢公司). From June 2010 to June 2013, Mr. Ma successively served as the project manager and the senior project manager at the infrastructure investment department of BSAM. From June 2013 to October 2014, Mr. Ma served as the deputy general manager of Beijing Industrial Developing Investment Management Co., Ltd. (北京市工業發展投資管理有限公司). From October 2014 to March 2017, Mr. Ma successively served as the deputy general manager and the general manager of the department of urban functional zone development and social undertakings of BSAM. Mr. Ma graduated from Tsinghua University with an Engineering Bachelor's degree majoring in Hydraulic Engineering in July 2002. Mr. Ma furthered his studies in Management Science and Engineering at Tsinghua University from September 2002 and received a Master's degree in Management in July 2005. Mr. Ma is a member of the Audit Committee and the Nomination Committee of the Company.

Executive Directors

Mr. Qiao Dewei (喬德衛), aged 50, became an executive Director on 11 April 2012 and is the General Manager of our Company. Mr. Qiao worked as a clerk at the Central Enterprises Management Department of the Bureau of Finance in Hubei Province (湖北省財政廳中央企業管理處) from July 1988 to July 1994, and worked as a clerk at the deputy director level from August 1994 to December 1995. He worked as the deputy manager of the Finance Department at Wuhan International Trust and Investment Company (武漢國際信託投資公司) from January 1996 to December 1997, and worked as a manager of the Finance Department at that company from January 1998 to February 2001. Mr. Qiao worked as the president assistant of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) from March 2001 to September 2005. Between September 2005 and August 2008, Mr. Qiao served as the chief financial officer of our Company. Between September 2008 and April 2009, Mr. Qiao worked as the acting general manager of our Company, and has worked as the General Manager of our Company since April 2009. Mr. Qiao was a Director of our Company from September 2005 to May 2011, and has also been a Director of our Company since April 2012. Mr. Qiao graduated from Zhongnan University of Economics and Law (中南財經大學) with a Bachelor's degree in Economics in July 1988 and obtained his Master's degree in Law from Hubei University (湖北大學) in June 1999. Between May 2005 and August 2006, Mr. Qiao further studied a project learning postgraduate course in Financial Management at Tsinghua University, and obtained his Master of Business Administration degree from Peking University in July 2013. Mr. Qiao qualified as an accountant, the certificate of which is issued by Profession Administration Department of Ministry of Finance (財政部專業主管部門), in November 1993. Mr. Qiao is a member of the Strategy Committee. Mr. Qiao also has indirect shareholding interest in our Company through Shenzhen Jingxiu Investment Partnership (Limited Partnership).

Mr. Hu Shengyong (胡聲泳), aged 47, became an executive Director on 7 November 2014 and is the Chief Financial Officer of the Company. Mr. Hu worked at the finance department of Wuhan Zhengxin State-owned Assets Management Company (武漢正信國有資產經營有限公司) ("Zhengxin Company") from August 1996 to November 2000. Under the delegation of Zhengxin Company, he served as the chief accountant at Wuhan Unity Laser Co., Ltd. (武漢團結鐳射股份有限公司) from November 2000 to May 2001 and served as director of the general office of the chief financial officer and a manager of Department of Auditors of Zhengxin Company from May 2001 to March 2004. Mr. Hu served as the president assistant as well as the general manager of the Audit Department of Wuhan Securities (武漢證券公司) from April 2004 to September 2005, and served as the general manager of the Central China Region of Sunrise Environmental Protection Group (晨興環保集團公司華中區) from September 2005 to August 2008. Between August 2008 and January 2010, Mr. Hu served as the president assistant of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). From January 2010 to April 2012, Mr. Hu served as the Chief Financial Officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd (深圳綠色動力環境工程有限公司) (the predecessor of the Company). Since April 2012, Mr. Hu has served as the Chief Financial Officer of the Company. Mr. Hu concurrently served as the Secretary of the Board from April 2012 to December 2013. Mr. Hu graduated from China University of Geosciences (中國地質大學) with an Engineering Bachelor's degree majoring in Economic Management Engineering in June 1991. Mr. Hu qualified as a senior accountant, the certificate of which was issued by Senior Evaluation Committee of Accounting Profession of Hubei Province (湖北省會計專業高級評委會) in March 2003. Mr. Hu concurrently serves as the chairman of the board of directors of Wuhan Dynagreen Renewable Energy Co., Ltd. (武漢綠色動力再生能源有限公司) and Haining Dynagreen Renewable Energy Co., Ltd. (海寧綠色動力再生能源有限公司), which are the subsidiaries of the Company.

Independent Non-executive Directors

Ms. Chen Xin (陳鑫), aged 41, became an independent non-executive Director of our Company on 11 April 2012. Ms. Chen was a post-doctorate in Law at the Civil Law Office of the Institute of Law of Chinese Academy of Social Sciences (中國社會科學院) from October 2004 to July 2007 and was a deputy researcher from November 2006 to July 2007, and received her doctorate in Law at the Faculty of Law of University of Salzburg (薩爾茨堡大學) in Austria from August 2007 to February 2008. Since March 2008, Ms. Chen has been an associate professor as well as a supervisor for postgraduate students at the Faculty of Law of the China Youth University for Political Sciences (中國青年政治學院), and was a director of the Office of Civil and Commercial Law from September 2010 to January 2016. Ms. Chen graduated from the East China University of Political Science and Law (華東政法學院) in Shanghai with a Bachelor's degree in Law in July 1998. She then obtained her Master's degree in Criminal Law from the Law School of Peking University (北京大學) in June 2001 and obtained her Doctoral degree in Civil and Commercial Law from the Law School of Peking University in June 2004. Ms. Chen is the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee of the Company.

Mr. Kwan Kai Cheong (關啟昌), aged 67, was appointed as an independent non-executive Director of our Company on 22 January 2014. Mr. Kwan joined Merrill Lynch & Co in 1982 as financial controller in Hong Kong. He was named chief financial officer for the Asia Pacific Region in 1983 and in 1987 he assumed additional responsibilities as Asia Pacific regional director for finance & administration. Mr. Kwan was named chief operating officer for the Asia Pacific Region in 1990 and between January 1992 and February 1993, he was further named the president of the Asia Pacific Region. Mr. Kwan was an executive director of Pacific Concord Holding Limited ("PCH") from March 1993 to 1999. Mr. Kwan was the joint managing director of PCH from 1999 until 23 October 2003. Mr. Kwan has been re-designated as a non-executive director of PCH since October 2003. Mr. Kwan became the president of the business consulting company Morrison & Company Limited since January 2003. Mr. Kwan held directorships in listed companies Hutchison Telecommunications International Limited (Stock Code 2332, delisted in 2010) between August 2004 and May 2010 and China Oceanwide Holdings Ltd. (formerly known as "Hutchison Harbour Ring Limited") (Stock Code 715) between September 2004 and December 2014 respectively. Mr. Kwan serves as an independent non-executive director of Sunlight Real Estate Investment (Stock Code 435), Win Hanverky Holdings Limited (Stock Code 3322), Greenland Hong Kong Holdings Limited (Stock Code 337), United Photovoltaics Group Limited (Stock Code 686), HK Electric Investments and HK Electric Investments Limited (Stock Code 2638) and CK Life Sciences Int'l., (Holdings) Inc. (Stock Code 775) as listed on the Hong Kong Stock Exchange since February 2006, April 2006, September 2006, April 2011, January 2015 and March 2015 respectively. Mr. Kwan served as an independent non-executive director of Galaxy Resources Limited (Stock Code GXY), a company listed on the Australian Stock Exchange from October 2010 to June 2014. Since February 2007, Mr. Kwan has been serving as non-executive director of China Properties Group Limited (Stock Code 1838). Mr. Kwan graduated from the National University of Singapore (formerly known as the University of Singapore) in August 1973, with a bachelor's degree in Accounting (with honours) and completed the Executive Program at Stanford University in 1992. Mr. Kwan became an associate of the Institute of Chartered Accountants in Australia and a fellow of Hong Kong Institute of Directors since October 1979 and March 2005 respectively. Mr. Kwan was admitted as a member of the Hong Kong Institute of Certified Public Accountants in May 1982 and became a fellow of the Institute since July 2009. In 1997, while being an executive director of Pacific Concord Holding Limited, Mr. Kwan was appointed as a director of Yaohan International Holdings Limited ("Yaohan") to represent the 19% equity interests of Pacific Concord Holding Limited in Yaohan but without any involvement in Yaohan's day-to-day management. Yaohan was incorporated in Bermuda and its principal activities were investment holding and the provision of management services to its group companies. Yaohan was formally wound up by order of the court in Hong Kong on 26 February 1999. Mr. Kwan has confirmed to us that there was no wrongful act on his part leading to the liquidation of Yaohan and that, as far as Mr. Kwan is aware, no actual or potential claim has been or will be made against him as a result of such liquidation. Mr. Kwan is the chairman of the Audit Committee and a member of the Nomination Committee of the Company.

Mr. Ou Yuezhou (區岳州), aged 66, was appointed as an independent non-executive Director of the Company on 19 June 2015. Mr. Ou is the chairman of Guangdong Province Environmental Protection Enterprise Association (廣東省環境保護產業協會). Mr. Ou served as deputy director in Guangdong Environmental Protection Engineering Laboratory (廣東省環境保護工程研究室) under Guangdong Environmental Protection Bureau from January 1982 to January 1983, the deputy chief of business department of Guangdong Environmental Engineering & Equipment General Corporation (廣東省環境工程裝備總公司) under Guangdong Environmental Protection Bureau from January 1983 to November 1985, the deputy director of Guangdong Province Environmental Protection Engineering Research & Design Office (廣東省環境保護工程研究設計室) under Guangdong Environmental Protection Bureau from November 1985 to May 1987, the director of Guangdong Environmental Protection Engineering Laboratory under Guangdong Environmental Protection Bureau from April 1988 to January 1992, the deputy general engineer, general engineer, deputy general manager and general manager of Guangdong Environmental Engineering & Equipment General Corporation under Guangdong Environmental Protection Bureau from January 1992 to January 2000. From January 2000 to December 2004, he worked as the president of Guangdong Province Environmental Protection Engineering Research & Design Institute (廣東省環境保護工程研究設計院), the general manager of Guangdong Environmental Engineering & Equipment General Corporation, the deputy general manager of Guangdong Ipek Environmental Protection Industry Co., Ltd. (Group) (廣東省伊佩克環保產業有限公司(集團)). From January 2005 to September 2011, Mr. Ou was the deputy general manager and general engineer of GuangYe Environmental Protection Industry Group Co., Ltd. From September 2011 up to today, he serves as the chairman of Guangdong Province Environmental Protection Enterprise Association and has been an environmental consulting expert of the standing committee of the Guangdong People's Congress since May 2014. Mr. Ou graduated from South China University of Technology majoring in Chemical Engineering with a Bachelor's degree in Engineering in July 1982. Then, he studied in civil and environmental engineering department of Tsinghua University majoring in environmental engineering from June 1982 to December 1982, environmental engineering in Japanese Hyogo Hazards Research Institute (日本國兵庫公害研究所) from May 1987 to April 1988 and environmental engineering in Ministry of Environmental Protection and DHV company in Holland under the government of Ude Frieze province, Netherlands (荷蘭國烏德列茲省政府) from January 1996 to June 1996. Mr. Ou is the chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee and Strategy Committee of the Company.

SUPERVISORY COMMITTEE

Mr. Luo Zhaoguo (羅照國), aged 39, is the chairman of the supervisory committee of the Company (the "**Supervisory Committee**") and became a Supervisor of our Company on 19 June 2013. Mr. Luo worked as an accountant of the Finance Department and director assistant of Beijing Metallurgical Equipment Research and Design Institute (北京冶金設備研究設計總院) of China Metallurgical Group Corporation (中冶集團) from August 2000 to August 2007 and from August 2007 to October 2008 respectively. From November 2008 to July 2013, Mr. Luo has served as the fund manager of the Department of Finance Planning of BSAM. Since July 2003, Mr. Luo has served as the deputy general manager and the general manager of the Department of Finance Planning of BSAM. Mr. Luo graduated from the Management School of the University of Science and Technology Beijing (北京科技大學) with a Bachelor's degree majoring in Accounting in July 2000. Mr. Luo obtained his Master's degree in Management from Capital University of Economics and Business (首都經濟貿易大學) in July 2009.

Mr. Liu Jinsong (劉勁松), aged 47, became a Supervisor of our Company on 18 December 2013. Mr. Liu worked as an engineer at the Beijing Hope Computer Company (北京希望電腦公司) under the Chinese Academy of Science (中國科學院) from July 1992 to 1993. Mr. Liu established Orient Legend Maker Software Development Limited (東方龍馬軟件發展有限公司) and served successively as an executive director, the general manager and the chairman of the board of that company from July 1994 to December 2012. Mr. Liu has been serving as the chairman of the board of Poly Communications Ltd. (保利通信有限公司) from March 2006 till now. Mr. Liu has also been serving as the Chairman of the board of Poly Longma Asset Management Co., Ltd. (保利龍馬資產管理有限公司) since May 2010. Mr. Liu had been a non-executive director and chairman of the board of directors of Kong Sun Holdings Limited, a company listed in Hong Kong (Stock Code: 295), from September 2014 to November 2014. Mr. Liu was a committee member of the China Software Industry Association from March 2002 to March 2006. Mr. Liu graduated from the Department of Computer Technology (計算機技術系) of College of the Computer Science (計算機學院) of Beijing University of Technology (北京工業大學) with a Bachelor's degree in Engineering in July 1992, and obtained his Master of Business Administration degree from the City University of Macau (澳門城市大學), formerly named as "Asia (Macau) International Open University (亞洲(澳門)國際公開大學)", in November 2005.

Ms. Hu Fang (胡芳), aged 31, became the Employee Representative Supervisor of the Company on 14 August 2014. Ms. Hu served as the environment and society affairs officer (環境與社會事務專員) of the Company from April 2013 to July 2014 and had served as the securities affairs officer (證券事務專員) of the Board from July 2014 to July 2016. Since July 2016, Ms. Hu has served as the business manager of the international business department of the Company. From June 2008 to October 2009, she taught at The University for Science & Technology, Beijing. From October 2009 to December 2012, Ms. Hu Fang was in the United States for further studies. In June 2008, Ms. Hu Fang graduated from Xingtai University in Hebei, majoring in English.

SENIOR MANAGEMENT

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

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

Mr. Cheng Yan (成雁), aged 52, is a Deputy General Manager of our Company. Between August 1990 and June 1996, Mr. Cheng served as the deputy general manager and chief marketing officer at Shenzhen Haiwang Company (深圳海王藥業有限公司), and served as a director and deputy general manager of Science Expert Industrial Co., Ltd. (深圳市科爾通實業有限公司) from October 1996 to January 2000. Between April 2000 and April 2012, Mr. Cheng served as a Deputy General Manager and Chief Investment Officer of our Company from April 2000 to January 2010 and from January 2010 to April 2012 respectively, and has served as a Deputy General Manager of our Company since April 2012. Mr. Cheng graduated from Chang'an University (長安大學) (formerly named as Xi'an Highway Institute) (西安公路學院) with a Bachelor's degree in Engineering in July 1985 and obtained his Executive Master of Business Administration degree from Peking University (北京大學) in January 2006.

Mr. Huang Jianzhong (黃建中), aged 50, is a Deputy General Manager of our Company. Between June 1989 and October 1990, Mr. Huang served as a director of the General Office of Shenzhen China Travel Service Home Appliances Unit (深圳市中旅家電總匯辦公室). Mr. Huang worked at the Shenzhen China Travel Service (深圳市中國旅行社) from October 1990 to December 1991. Between December 1991 and August 1993, Mr. Huang served as a director of the General Office of Shenzhen China Travel Services Automobile Transportation Company (深圳市中旅汽車運輸公司) and served as the assistant to general manager of Transportation Department at Shenzhen China Travel Services Eastern International Travelling Development Company (深圳市中旅東部國際旅遊開發有限公司) from August 1993 to May 1994. Mr. Huang served as the Head of Credit-lending Section at Shenzhen Commercial Bank, Longgang Sub-branch (深圳市商業銀行龍崗支行) from May 1994 to April 1998 and served as the director of Marketing Department of Shenzhen Commercial Bank, Zhenhua Sub-branch (深圳市商業銀行振華支行) from April to August 1998. Mr. Huang served as a deputy general manager and chief financial officer of Shenzhen Dow's Waste-to-Energy Tech Development Co., Ltd (深 圳市道斯垃圾處理技術開發有限公司) from August 1998 to March 2001, and concurrently served as the deputy general manager and chief financial officer of Shenzhen Dow's Environmental Science and Technology Co., Ltd (深圳道斯環保科技有限公司) from August 1998 to March 2001. Between March 2001 and December 2009, Mr. Huang was the director, deputy general manager and chief financial officer of Dynagreen International Holding (綠色動力國際控股), and concurrently served as the chairman of the board of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司), the predecessor of our Company, from January 2002 to September 2005 and served as a director of Blue-ocean Environment from September 2005 to December 2009, and the chairman of the board of Foshan Shunde Shuneng Garbage Power Company Limited (佛山市順德區順能垃圾發電有限公司) from November 2007 to August 2010. Mr. Huang was the chief operational officer of Shenzhen Dynagreen Environmental Engineering Co., Ltd. (深圳綠色動力環境工程有限公司), the predecessor of our Company, from January 2010 to April 2012, and concurrently served as the general manager of Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (常州綠色動力環保熱電有限公司) from April to August 2010. Mr. Huang has been a Deputy General Manager of our Company since April 2012. Mr. Huang graduated from the College of Economics of Jinan University (暨南大學經濟學院) with a Bachelor's degree in Economics in Planning and Statistics in June 1989, and obtained his Master's degree in Economics from Zhongnan University of Economics & Law (中南財經政法大學) in December 2002. Mr. Huang qualified as a Senior Operating Manager, the certificate of which was issued by Labor Bureau of Hubei Province (湖北省勞動廳), in July 2000.

Mr. Hou Zhiyong (侯志勇), aged 58, is a Deputy Manager of our Company. Mr. Hou served as the deputy section head of Operational Section of Shanxi Niangziguan Electricity Factory (山西娘子關電廠) from March 1989 to February 1992, the section head of Operational Section from February 1992 to May 1995, the deputy general engineer from May 1995 to May 1996, the general engineer from May 1996 to June 1998, the deputy director as well as the general engineer from June 1998 to January 2001 and the general director from January 2001 to March 2002. Mr. Hou also served as the general director of Datang Taiyuan No. 2 Thermal Power Plant (大唐太原第二熱電廠) from March 2002 to September 2004. Mr. Hou served as deputy general engineer at Datang Heilongjiang Power Company (大唐黑龍江發電有限公司) from September 2004 to September 2006. Mr. Hou served as deputy general engineer at Shanxi Energy Industries Group Company (山西能源產業集團有限責任公司) from September 2006 to September 2007. Mr. Hou has been a Deputy General Manager of our Company from September 2007 to January 2010 and since April 2012. Between January 2010 and April 2012, Mr. Hou served as the Chief Engineering Officer of our Company. Mr. Hou graduated from Taiyuan Institute of Technology (太原工學院) with a Bachelor's degree in Power Plants and Power Systems in August 1983, and obtained his Master's degree in Electrical Engineering from North China Electric Power University (華北電力大學) in April 2002. Mr. Hou qualified as a senior engineer, the certificate of which was issued by the Evaluation Committee of Senior Engineer of Electricity Industry Bureau of Hubei Province (湖北省電力工業局高級工程師評審委員會), in May 1997.

Ms. Zhong Xia (仲夏), aged 48, is a Deputy Manager of our Company. Ms. Zhong served as a clerk in Maanshan Magang Design and Research Institute of Anhui Province (安徽省馬鞍山市馬鋼設計研究院) from September 1992 to March 1993, and the manager of the Commerce Department of Shenzhen Dow's Trading Co., Ltd. (深圳道斯貿易有限公司) from March 1993 to March 2000. She successively served as an assistant to General Manager of the Investment Department and the General Manager of the Purchasing Department of our Company from March 2000 to August 2014. Since August 2014, Ms. Zhong has served as the Deputy Manager of our Company. Ms. Zhong graduated from Anhui University of Technology (安徽工業大學) with a Bachelor's degree in Engineering in July 1992.

Mr. Zhu Shuguang (朱曙光), aged 41, is the Secretary of the Board, Joint Company Secretary, Authorized Representative and Officer of the Treasury Department of our Company. Mr. Zhu worked at China Securities (華夏證券) before March 2002. Mr. Zhu worked in securities investment while working at Shenzhen Han's Laser Technology Co., Ltd. (深圳市大族激光科技股份有限公司) from August 2002 to March 2004. Between April 2004 and August 2008, Mr. Zhu was the deputy general director of Department of Securities of Shenzhen Baoneng Group (深圳市寶能投資集團有 限公司). Mr. Zhu was a manager of Department of Securities of AVIC Sanxin Co., Ltd. (中航三鑫股份有限公司) as well as deputy general manager and secretary of the board of Shenzhen JMT Glass Co., Ltd. (深圳三鑫精美特有限公司), a subsidiary of AVIC Sanxin Co., Ltd., from August 2008 to August 2010. Mr. Zhu has been the Officer of Treasury Department of our Company since September 2010, and the Secretary of the Board of our Company since 3 December 2013. Mr. Zhu graduated from Central University of Finance and Economics (中央財經大學) with a Bachelor's degree in Economics in July 1999.

JOINT COMPANY SECRETARIES

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

Mrs. Seng Sze, Ka Mee Natalia (沈施加美) is the chief executive officer of China and Hong Kong of Tricor Group/Tricor Services Limited ("**Tricor**"), and also a practice leader of Tricor's Corporate Services and China Consultancy Services. Mrs. Seng has over 30 years of experience in the provision of professional secretarial, business advisory and fiduciary services. Mrs. Seng is a Chartered Secretary, a Past President (2007–2009) and a retired Council Member (1996–2012) of The Hong Kong Institute of Chartered Secretaries ("**HKICS**"). Mrs. Seng has been appointed by the Hong Kong government as a member of the Standing Committee on Company Law Reform ("**SCCLR**") for a period of two years (February 2016–January 2018). She is also a Fellow of The Taxation Institute of Hong Kong ("**TIHK**") and The Hong Kong Institute of Directors ("**HKIoD**"), and an appointed member of the Inland Revenue Department Users Group since 2009. Mrs. Seng holds a Master's degree in Business Administration (Executive) from City University of Hong Kong. (Note: The Company has engaged Tricor as external service provider and appointed Mrs. Seng as the Joint Company Secretary since 22 January 2014.)

REPORT OF DIRECTORS

The Board is pleased to present the shareholders with this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

Details about the businesses of the major subsidiaries are set out in note 12 to the financial statements. Analysis of revenue by principal activities of the Group during the reporting period is set out in note 3 to the financial statements.

A fair review of the business of and the major risks and uncertainties facing the Group and discussion and analysis of its performance and significant factors relating to its results and financial position for the year are contained in the sections headed Chairman's Statement and Management Discussion and Analysis of this annual report respectively. The discussion of the further development of its business is set out in various sections of this annual report including the sections headed Chairman's Statement and Management Discussion and Analysis of this annual report. The above discussion is part of the Report of Directors.

RESULTS

The consolidated results of the Group for the reporting period are set out in the consolidated statement of profit or loss and other comprehensive income on page 59 to 60.

FINAL DIVIDEND

The Board recommends the payment of the 2016 Final Dividend, amounting to RMB62,700,000 in aggregate.

According to the Articles of Association of the Company, dividends shall be denominated and declared in Renminbi. The proposed final dividend is subject to shareholders' approval at the AGM. Dividends on domestic shares will be paid in Renminbi and dividends on H shares will be paid in Hong Kong dollars. The exchange rate shall be the average median rate of the applicable foreign currency announced by the People's Bank of China for seven days before and including the date of the AGM. The payment of the 2016 Final Dividend is expected to be made on 1 August 2017, subject to consideration and approval of the shareholders at the AGM.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知》(國稅發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (or Macau). For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, i.e., any shareholders who hold the Company's shares in the name of non-individual shareholders, including but not limited to HKSCC Nominee Limited, other nominees, trustees, or holders of H shares registered in the name of other groups and organizations, the Company will withhold and pay the enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)). Should the holders of H shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in Mainland China, Hong Kong and other countries (regions) on the possession and disposal of the H shares of the Company

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the individual holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the individual holders of H shares or any disputes over the withholding mechanism or arrangements.

AGM

The AGM of the Company will be held on Friday, 9 June 2017, while the notice of the AGM will be published and dispatched to shareholders of the Company in the manner as stipulated on the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") when appropriate.

FINANCIAL SUMMARY

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

FIXED ASSETS

Details of movements in the fixed assets of the Group during the reporting period are set out in note 10 to the financial statements.

SHARE CAPITAL

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

PROFESSIONAL TAX ADVICE RECOMMENDED

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the reporting period are set out in the consolidated statement of changes in equity on page 63 of this report.

DISTRIBUTABLE RESERVES

During the reporting period, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to RMB177.12 million. In addition, none of the Company's share premium account is available for distribution by way of capitalization issues.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for 68% of the total sales for the reporting period and sales to the largest customer included therein amounted to 18%. Purchases from the Group's five largest suppliers accounted for 24% of the total purchases for the year and Purchases from the largest supplier included therein amounted to 7% of the total purchases for the reporting period.

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

RELATIONS WITH CUSTOMERS AND SUPPLIERS

Relationship with customers

The customers of the Group mainly comprise the municipal administrative authorities of the local governments and power grid companies. Pursuant to the "Concession Agreement" entered into between the Group and the municipal administrative authorities of the local governments, the Group provides waste treatment service to the municipal administrative authorities and receives waste treatment fee. The amount of processed waste is measured with the equipment monitored by both parties and the waste treatment standards are in line with the relevant technical and emission standards. The "Concession Agreement" stipulates the waste treatment fee, which will be reviewed and adjusted on a regular basis, and settled monthly or every several months. The Group is dedicated to provide quality and professional waste treatment service to municipal administrative authorities of the local governments, so as to improve urban environment and establish a brand image.

Pursuant to the "Electricity Sale and Purchase Agreement" entered into by the Group and the power grid companies, the Group sells the electricity it generated (net of those for self-consumption) to the power grid companies and receives sales revenue. The unit price of electricity is based on the unified price issued by the National Development and Reform Commission. The on-grid electricity is measured by electric meters approved by both parties and the fee will be settled monthly or every several months.

Relationship with suppliers

The Group mainly procures equipment, construction and installation services and consumables. The Group maintains a database of suppliers and, in accordance with the procurement procedures and policies it established, selects suppliers publicly based on their merits through bidding and other procedures as permitted by laws. The Group will enter into procurement contracts with the selected suppliers and make payment at the time the suppliers provide products or services. The Group values the relationship with suppliers and has established long term cooperation with them based on the principles of "fairness and mutual benefits".

RELATIONS WITH EMPLOYEES

The Group attaches importance to maintaining good relationship with employees. The Group is of the view that employees are the most important assets of the Group, and the basis for sustainable development. To establish good relationship with employees and retain talents, the Group has offered employees with competitive remuneration package, excellent working environment and welfare. The remuneration policy of the Group is determined based on the performance of employees, and will be reviewed regularly. The Group will distribute discretionary bonuses to employees for their contributions to the Group based on its profitability and the performance of the employee, and promote employees with excellent performance. The Group will also provide trainings for new and existing staff so as to enhance their skills and knowledge. For frontline production staff, the Group will also provide fire fighting and safety production trainings. These measures can improve the production capacity and efficiency of the Group.

DIRECTORS AND SUPERVISORS

The Directors during the reporting period are as follows:

Non-executive Directors

Mr. ZHI Jun (*Chairman*)
Mr. GUO Yitao (*appointment with effect from 18 April 2016*)
Ms. SUN Jing (*resignation with effect from 18 April 2016*)
Mr. LIU Shuguang
Mr. MA Xiaopeng

Executive Directors

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

Independent Non-executive Directors

Ms. CHEN Xin
Mr. KWAN Kai Cheong
Mr. OU Yuezhou

The supervisors of the Company ("**Supervisors**") during the reporting period are as follows:

Mr. LUO Zhaoguo
Mr. LIU Jinsong
Ms. HU Fang

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and Senior Management are set on pages 18 to 24 of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the year ended 31 December 2016, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

MANAGEMENT CONTRACTS

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or a Supervisor or their respective connected entities had a material interest, whether directly or indirectly, subsisted at the end of the reporting period or at any time during the reporting period.

No contracts, transactions or arrangements of significance were entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder or any of its subsidiaries.

EMOLUMENTS FOR DIRECTORS, SUPERVISORS AND EMPLOYEES

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

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

PERMITTED INDEMNITY PROVISION

The Company did not have any arrangement with a term providing for indemnity against liability incurred by the Director during their tenure as such. During the reporting period, the Company has taken out insurance cover for the Directors, Supervisors and senior management.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register required to be kept by the Company; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in the Listing Rules were as follows:

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

Notes:

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2016.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2016.

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

Apart from the above, none of the Directors, Supervisors and chief executives of the Company had any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as at 31 December 2016 as recorded in the Register required to be kept under Section 352 of the SFO or which were required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code.

Apart from the above, at no time during the period from 1 January 2016 to 31 December 2016 was the Company or its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the Directors, Supervisors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

Save as disclosed in the section headed "Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", as at 31 December 2016, according to the Register kept under Section 336 of the SFO, the following shareholders who had 5% or more interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO:

Shareholders	Number of shares held	Capacity	Approximate percentage of shareholding in the relevant class of shares(1)	Approximate percentage of shareholding in the total share capital of the Company(2)
Beijing State-owned Assets Management Co., Ltd. ("BSAM")(3)	501,189,618 unlisted Shares (Long position)	Interest in controlled corporation/ Beneficial owner	78.23%	47.96%
Beijing State-owned Assets Management (Hong Kong) Company Limited ("BSAM (HK)")(4)	24,859,792 H Shares (Long position)	Beneficial owner	6.15%	2.38%
BSAM(4)	24,859,792 H Shares (Long position)	Interest in controlled corporation	6.15%	2.38%
National Council for Social Security Fund	34,813,000 H Shares (Long position)	Beneficial owner	8.61%	3.33%
Anhui Jianghuai Growth Investment Fund Centre (Limited Partnership)(5)	49,725,295 unlisted Shares (Long position)	Beneficial owner	7.71%	4.75%
Beijing Green Innovation Investment Company Limited(5)	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.71%	4.75%
Beijing Zhixinheng Jin Investment Co., Ltd.(5)	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.71%	4.75%
Bai Hongtao(5)	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.71%	4.75%
Pan Ling(5)	49,725,295 unlisted Shares (Long position)	Interest in controlled corporation	7.71%	4.75%
Mondrian Investment Partners Limited	24,264,000 H Shares (Long position)	Investment manager	6.00%	2.32%

(1) The calculation is based on the number of Shares in the relevant class of shares of the Company as at 31 December 2016.

(2) The calculation is based on the total number of 1,045,000,000 Shares in issue as at 31 December 2016.

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

(4) BSAM (HK) is a wholly-owned subsidiary of BSAM. Pursuant to the SFO, BSAM is deemed to be interested in the H Shares held by BSAM (HK), holding 24,859,792 H Shares, representing approximately 6.15% of the total H Shares of the Company and approximately 2.38% of the total share capital of the Company.

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

Apart from the above, as at 31 December 2016, no other interests required to be recorded in the Register kept under Section 336 of the SFO have been notified to the Company.

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

DIRECTORS' RIGHTS TO ACQUIRE H SHARES

During the reporting period, none of the Directors, Supervisors and chief executive of the Company was granted options to subscribe for H shares of the Company. As at 31 December 2016, none of the Directors, Supervisors and chief executive of the Company had any rights to acquire H shares of the Company.

SHARE OPTION SCHEME

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

CONNECTED TRANSACTIONS

Non-Competition Agreement

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

Financial guarantees provided by controlling shareholder

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

Service Contracts and Related Party Transactions

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

The related party transactions with the Company's shareholder and fellow subsidiary for the reporting period disclosed in Note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions were exempt from the disclosure requirements by virtue of Chapter 14A.90 of the Listing Rules as they were financial assistance received by the Group from a connected person or commonly held entity, which were conducted on normal commercial terms and were not secured by the assets of the Group.

The related party transactions with Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd. during the reporting period as disclosed in Note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, those transactions were exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they were below the de minimis threshold under Rule 14A.76(1).

Save as disclosed above, none of the related party transactions of the Group for the reporting period disclosed in Note 28 to the consolidated financial statements constituted connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

CHARITABLE DONATION

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

EVENTS AFTER THE REPORTING PERIOD

In 2016, the Group recorded profit of RMB356,459,000 for the year. As at 31 December 2016, the retained profits in the consolidated statements of the Group amounted to RMB1,038,535,000. Taking into account the operating results, financial position and capital needs for future development of the Group, the Company determined the profit distribution plan to be distributing profits for 2016 through payment of a cash dividend of RMB0.06 (before tax) per share to all shareholders, which amounts to RMB62,700,000 based on the existing total number of issued shares of 1,045,000,000.

Due to personal change of work, Mr. Ma Xiaopeng (馬曉鵬) has tendered his resignation as a non-executive Director and a member of each of the Audit Committee and the Nomination Committee of the Board. Pursuant to the Articles of Association of the Company, such resignation shall take effect once the appointment of Mr. Feng Changzheng (馮長征) is approved by the shareholders of the Company at the AGM. The Board approved the proposed appointment of Mr. Feng Changzheng as a non-executive director and a member of each of the Audit Committee and the Nomination Committee at the Board meeting held on 23 March 2017, which will take effect once approved by the shareholders of the Company at the AGM.

Due to change of personal work arrangements, Mr. Liu Jinsong (劉勁松) has tendered his resignation as a shareholder representative supervisor of the Company. Pursuant to the Articles of Association of the Company, such resignation shall take effect once the appointment of Mr. Cai Binquan (蔡斌泉) is approved by the shareholders of the Company at the AGM. The Supervisory Committee approved the proposed appointment of Mr. Cai Binquan as a shareholder representative supervisor at the meeting of the Supervisory Committee held on 23 March 2017, which will take effect once approved by the shareholders of the Company at the AGM.

Save for the above, the Company does not have any other events after the reporting period.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Group is committed to achieving high standards of corporate governance in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Listing Rules as its own code of corporate governance. During the year ended 31 December 2016, the Company had complied with the code provisions set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

ENVIRONMENTAL POLICY AND PERFORMANCE

The implementation of the newly issued "Environmental Protection Law" and "Municipal Solid Waste Incineration Pollution Control Standards" (GB 18485-2014) tightens the emission standards for WTE practices and strengthens law enforcement and penalty measures. The Company adheres to the business principle of "generating social benefits as the primary goal while economic efficiency serves as the basis" and sees compliance with environmental protection regulations as top priority. Thus, it has established stringent internal control procedures and standards and obtained the ISO14001:2004 environmental management systems certificate. It also takes into account the progress on achieving environmental protection goals in evaluating employee performance.

The on-line monitoring system of the WTE power plants of the Group is interconnected with the environmental protection monitoring system of the local government. The LED screens at the gate of the WTE power plants provide neighboring residents real time emission data. There has been no incident of exceeding the emission limits since the WTE power plants of the Group commenced operation.

The Company plans to separately issue the Environmental, Social and Governance Report of the Company in June 2017. More environmental, social and governance details of the Company will be provided in the report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS OF SIGNIFICANT INFLUENCE

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations (particularly, those that have significant impact on the Group such as the Listing Rules and International Financial Reporting Standards). The Board is responsible for monitoring the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

To the knowledge of the Company, it has complied in all material aspects with relevant laws and regulations which have significant impact on its business and operation.

GUARANTEE TO BANKS IN RESPECT OF NEW BANKING FACILITIES GRANTED TO CERTAIN SUBSIDIARIES

In order to ensure the smooth completion of operating targets of the Company, to support the development of the subsidiary project companies, and to meet financing needs of the project companies, the Company sought shareholders' approval on the provision of guarantee in respect of banking facilities granted to its project companies at the annual general meeting for 2015. As contained in the relevant circular to shareholders, it is expected that the amount of guarantee to be provided in respect of new banking facilities granted to the project companies in 2016 would not exceed RMB2,588 million. As at 31 December 2016, guarantee provided by the Company in respect of new banking facilities granted to its project companies amounted to RMB1,748 million.

EQUITY-LINKED AGREEMENT

During the reporting period, the Group did not enter into any equity-linked agreements.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the shareholders eligible to attend the AGM of the Company, the register of members of the Company will be closed from Wednesday, 10 May 2017 to Friday, 9 June 2017, both days inclusive, during which no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 9 May 2017, being the last share registration date.

In order to determine the shareholders entitled to the 2016 Final Dividend, the register of members of the Company will be closed from Monday, 19 June 2017 to Friday, 23 June 2017, both days inclusive, during which no transfer of shares will be registered. In order to qualify for receiving the 2016 Final Dividend which is still subject to approval of the shareholders at the AGM, all properly completed transfer documents accompanied with relevant share certificates must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 22th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 16 June 2017, being the last share registration date.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, during the year ended 31 December 2016, the Company had maintained a public float as required under the Listing Rules.

COMPETING BUSINESS

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

AUDITOR

KPMG has served as the auditor of the Company during the Reporting Period.

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

On behalf of the Board
ZHI Jun
Chairman

Shenzhen, the PRC
23 March 2017

SUPERVISORY COMMITTEE'S REPORT

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

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

On 23 March 2017, the Supervisory Committee convened a meeting, at which the 2016 financial statements of the Group and independent auditor's report were reviewed and approved. The Supervisory Committee is of the view that the financial statements have been prepared in accordance with the relevant accounting standards and fairly reflect the financial conditions and results of operations of the Group.

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

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

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

Luo Zhaoguo
Chairman of the Supervisory Committee

Shenzhen, the PRC
23 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards in order to safeguard the interests of shareholders and enhance corporate value and accountability of the Company. The Company has adopted the Code Provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the period from 1 January 2016 to 31 December 2016 (the "**Reporting Period**"), the Company has complied with the code provisions as set out in the CG Code. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

TRADING OF SHARES BY DIRECTORS, SUPERVISORS AND EMPLOYEES

The Company has adopted Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel (the "**Management Measures**") on terms no less stringent than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules. The Company had made specific inquiries to all of the Directors and the Supervisors on whether they had complied with the Management Measures during the Reporting Period, and all of the Directors and the Supervisors had confirmed that they had all complied with the Management Measures.

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

BOARD OF DIRECTORS

During the Reporting Period, the Board of directors of the Company consisted of the following directors:

Non-executive Directors:

ZHI Jun *(Chairman)*
GUO Yitao *(Appointed on 18 April 2016)*
SUN Jing *(Resigned on 18 April 2016)*
LIU Shuguang
MA Xiaopeng

Executive Directors:

QIAO Dewei *(General Manager)*
HU Shengyong

Independent Non-executive Directors:

CHEN Xin
KWAN Kai Cheong
OU Yuezhou

During the Reporting Period, the Board consisted of nine members, including four non-executive Directors, two executive Directors and three independent non-executive Directors. Biographic information of Directors is set out in the section headed "Directors, Supervisors and Senior Management" on pages 18 to 24 of the annual report for the year ended 31 December 2016.

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

CHAIRMAN AND GENERAL MANAGER

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

Independent Non-executive Directors

During the Reporting Period, the Board had complied with (1) the requirement that the Board of a listed issuer must include at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules; (2) the requirement that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 3.10(2) of the Listing Rules; and (3) the requirement that the number of independent non-executive directors must represent at least one-third of the Board under Rule 3.10A of the Listing Rules.

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

Non-executive Directors and Directors' Re-election

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

Each of the Directors of the Company has been appointed for a term ending on the expiration of the term of the session of the Board (i.e. not more than three years), subject to re-election by shareholders.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

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

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

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

Continuous Professional Development of Directors

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

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

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

All the Directors have actively participated in the continuous professional development by way of attending seminar and/or conferences and/or forums and/or reading materials.

During the year ended 31 December 2016, the following Directors attended seminars/training sessions/in-house briefing/reading materials:

Directors	Attending seminar and/or conferences and/or forums	Reading journals, updates, articles and/or materials, etc
Non-executive Directors		
ZHI Jun *(Chairman)*	✓	✓
GUO Yitao *(Appointed on 18 April 2016)*	✓	✓
SUN Jing *(Resigned on 18 April 2016)*	✓	✓
LIU Shuguang	✓	✓
MA Xiaopeng	✓	✓
Executive Directors		
QIAO Dewei *(General Manager)*	✓	✓
HU Shengyong	✓	✓
Independent non-executive Directors		
CHEN Xin	✓	✓
KWAN Kai Cheong	✓	✓
OU Yuezhou	✓	✓

BOARD COMMITTEES

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

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

Audit Committee

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

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

Non-executive Director
Ma Xiaopeng

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

During the Reporting Period, the Audit Committee held four meetings to review interim financial results and reports for the six month ended 30 June 2016 and significant issues on the financial reporting, operational and compliance controls, effectiveness of the risk management and internal control systems and internal audit function, scope of work and appointment of external auditors, connected transactions and arrangements for employees to raise concerns about possible improprieties. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 47.

The Audit Committee also reviewed the financial results of the Group for the year ended 31 December 2016, considered the re-appointment of KPMG as the Company's external auditors in 2017 and met the external auditors twice without the presence of the executive Directors.

Remuneration and Appraisal Committee

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

Independent non-executive Directors
Chen Xin *(Chairman)*
Ou Yuezhou

Non-executive Directors
Sun Jing *(Resigned on 18 April 2016)*
Guo Yitao *(Appointed on 18 April 2016)*

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

During the Reporting Period, the Remuneration Committee met twice to review, determine and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 47.

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band(s) (HKD)	Number of Individuals
HKD1,000,001 to 1,500,000	5
HKD1,500,001 to 2,000,000	1
HKD2,000,001 to 2,500,000	1

Details of remuneration of all Directors, Supervisors and certain members of the senior management for the year ended 31 December 2016 are set out in note 7 and 28(d) to the Financial Statements contained in the annual report.

Nomination Committee

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

Independent non-executive Directors
Ou Yuezhou *(Chairman)*
Kwan Kai Cheong

Non-executive Director
Ma Xiaopeng

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

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

During the Reporting Period, the Nomination Committee met twice to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider and recommend to the Board on the appointment of Mr Guo Yitao as non-executive Director. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records are set out under "Attendance Record of Directors and Committee Members" on page 47.

Strategy Committee

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

Non-executive Directors
Zhi Jun *(Chairman)*
Guo Yitao *(Appointed on 18 April 2016)*
Sun Jing *(Resigned on 18 April 2016)*
Liu Shuguang

Executive Director
Qiao Dewei

Independent non-executive Directors
Ou Yuezhou

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

During the Reporting Period, the Strategy Committee met once to discuss the business strategies of the Group and the attendance records are set out under "Attendance Record of Directors and Committee Members" on page 47.

Corporate Governance Functions

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

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

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board Committee meetings and the general meetings of the Company held during the year ended 31 December 2016 is set out in the table below:

	Attendance/Number of Meetings								
Name of Director	Board	Nomination Committee	Remuneration and Appraisal Committee	Audit Committee	Strategy Committee	Annual General Meeting	Extraordinary General Meeting	Class Meeting for Holders of Domestic Shares	Class Meeting for Holders of H Shares
ZHI Jun	8/8	–	–	–	1/1	1/1	1/1	1/1	1/1
SUN Jing#	2/2	–	0/1	–	0/1	0/0	0/0	0/0	0/0
GUO Yitao*	6/6	–	0/1	–	–	1/1	1/1	1/1	1/1
LIU Shuguang	8/8	–	–	–	1/1	1/1	1/1	1/1	1/1
MA Xiaopeng	8/8	2/2	–	4/4	–	1/1	1/1	1/1	1/1
QIAO Dewei	8/8	–	–	–	1/1	1/1	0/1	0/1	0/1
HU Shengyong	8/8	–	–	–	–	1/1	0/1	0/1	0/1
CHEN Xin	8/8	–	2/2	4/4	–	0/1	0/1	0/1	0/1
KWAN Kai Cheong	8/8	2/2	–	4/4	–	0/1	0/1	0/1	0/1
OU Yuezhou	8/8	2/2	2/2	–	1/1	0/1	0/1	0/1	0/1

\# Resigned as non-executive Director with effect from 18 April 2016

* Appointed as non-executive Director with effect from 18 April 2016

During the Reporting Period, apart from regular Board meetings, the Chairman also held meetings with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2016.

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 57 to 58.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company (including KPMG and other PRC auditors) in respect of audit services for the year ended 31 December 2016 amounted to RMB3,044,000, of which RMB2,400,000 is for IFRS audit services and interim review services rendered by KPMG. No other non-audit services were provided by the Company's external auditors during the year ended 31 December 2016.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board, through the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems of the Company and its subsidiaries for the year ended 31 December 2016.

The management monitors the assessment of the risk management and internal controls and has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Company has developed and adopted different risk management procedures and guidelines with defined authority. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee, assessed the effectiveness of the risk management and internal control systems by reviewing the management report and the internal audit report and considered that, for the year ended 31 December 2016, the risk management and internal control systems of the Company are effective and adequate.

COMPANY SECRETARIES

Mr. Zhu Shuguang acts as a joint company secretary of the Company. Mrs Seng Sze, Ka Mee Natalia of Tricor Services Limited has been engaged by the Company as its external joint company secretary. Its primary contact person at the Company is Mr Zhu Shuguang.

Both of the joint company secretaries of the Company have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

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

Putting Forward Proposals at Extraordinary General Meeting

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

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

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Tricor Investor Services Limited
Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of Mr Zhu Shuguang)

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

During the year under review, the Company has not made any changes to its Articles of Association. An up to date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, from the date on which the Company became listed on the Hong Kong Stock Exchange and up to 31 December 2016, the Company had maintained a public float as required under the Listing Rules.

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

OPINION

We have audited the consolidated financial statements of Dynagreen Environmental Protection Group Co., Ltd. and its subsidiaries (together "**the Group**"), set out on pages 59 to 124, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flow for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Accounting for construction revenue in service concession arrangements

Refer to note 3 to the consolidated financial statements and the accounting policies on page 76–77.

The Key Audit Matter	How the matter was addressed in our audit
The Group has entered into service concession arrangements with local governments in Mainland China in respect of its waste-to-energy ("**WTE**") projects on a Build-Operate-Transfer ("**BOT**") basis. Under the service concession arrangements, the Group constructs WTE plants (construction services) and operates these WTE plants (operation services) for a concession period of 23 to 30 years. The Group is paid for its services over the operation period of the arrangements. Although no income is received during the construction phase of BOT projects, the Group recognises revenue from construction services when project construction commences pursuant to the requirements of the prevailing accounting standards. The construction services provided by the Group are recognised at their fair value. An independent valuer assesses the fair value of construction services of a BOT project based on the budgeted construction costs plus a mark-up margin for the project at the respective valuation date. The independent valuer derives the mark-up margin by calculating the median value of the return on costs for selected comparable companies with similar projects. Revenue from construction services is recognised based on the stage of completion of each project at the reporting date, which is assessed by reference to the percentage of costs incurred to date to estimated total budgeted costs for a project. The total budgeted costs are estimated based principally on management's assessment of market conditions, the cost of raw materials and equipment and other operating costs.	Our audit procedures to assess the accounting for construction revenue in service concession arrangements included the following: • evaluating the Group's process for applying the requirements of the prevailing accounting standards and inspecting the associated contracts for projects which commenced construction in the current year to assess whether these fell within the scope of service concession arrangements under the prevailing accounting standards; • assessing the impact of any changes to the terms of arrangements entered into in previous years which could affect the accounting for BOT projects in the current year; • understanding and assessing the design, implementation and operating effectiveness of the key internal controls in place to assess the determination of the percentage of work completed for construction contracts; • discussing and understanding management's estimates for total budgeted construction costs for BOT projects under construction by comparison with prior years' projects with similar waste treatment capacities and taking into account the historical accuracy of such estimates and assessing whether or not there was an indication of management bias in the preparation of total budgeted costs by comparing the budgeted costs with the costs included in major suppliers' contracts signed for these BOT projects; • calculating the percentage of completion of incomplete projects by reference to the progress reports for BOT projects under construction, which were prepared by management and certified by independent supervising engineers, and comparing, on a sample basis, the actual costs incurred to date with relevant underlying documents, including suppliers' contracts and payment records, to assess whether the recorded contract progress was consistent with the terms of the contracts and payments made to date;

The Key Audit Matter	How the matter was addressed in our audit
BOT arrangements are accounted for pursuant to the requirements of the prevailing accounting standards which can be complex in their implementation and require the exercise of significant management judgement, particularly in respect of the determination of total budgeted construction costs for each project, determining the stage of completion of each project at the reporting date and assessing the fair value of construction services of each BOT project. We identified accounting for construction revenue in service concession arrangements as a key audit matter because the application of the requirements of the prevailing accounting standards can be complex and involves the exercise of significant management judgement which could give rise to errors in the recognition of construction revenue or could be subject to manipulation to meet targets and expectations.	• conducting site visits to significant construction projects and assessing the stage of completion of each significant construction project through observation and discussions with management and site personnel; • discussing with the independent valuer engaged by management the methodologies adopted in the assessments of the fair value of construction services and assessing the independence, experience, competence and credentials of the independent valuer; • inspecting the valuation reports prepared by the independent valuer of the fair value of the construction services and, with the assistance of our internal valuation specialists, evaluating the valuation methodologies adopted in the valuations and the mark-up margins for construction services provided by the independent valuer by benchmarking against mark-up margins for comparable companies with similar projects; • comparing the most significant input, budgeted construction costs, used by in determining the fair value of construction services, with management's budgets and the results of other procedures performed; • scrutinising all manual journal entries relating to construction revenue raised during the year and inspecting relevant underlying documentation for journal entries which were considered to be material or met other specified risked-based criteria.

Assessing potential impairment of intangible assets relating to service concession arrangements

Refer to note 11 to the consolidated financial statements and the accounting policies on page 72–73.

The Key Audit Matter	How the matter was addressed in our audit

Intangible assets represent waste-to-energy operating rights where the Group has the right to charge local government authorities for treating waste, which is supplied by the local government authorities, and to convert the waste to energy using the Group's waste-to-energy infrastructure upon fulfilment of its obligations as stipulated in the service concession arrangements.
 	
There is a risk that the value of certain waste-to-energy operating rights may not be recoverable in full through the future cash flows to be generated from the specific waste-to-energy operations. Therefore, at the end of each reporting period:
 	
• for those waste-to-energy projects which have not yet commenced operations, management assesses the recoverable amount of each operating right; and
 	
• for those waste-to-energy projects which have commenced operations, management assesses the recoverable amount of each operating right when an indicator of impairment has been identified.
 	
The recoverable amount of each operating right is determined based on value-in-use calculations. Management assessed value-in-use of each operating right using discounted cash flow forecasts based on financial budgets covering each specific operating period. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in assessing revenue growth rates over the concession period, future operating costs and the discount rates applied.
	Our audit procedures to assess potential impairment of intangible assets relating to service concession arrangements included the following:
	
	• evaluating the discounted cash flow forecasts prepared by management by comparing the financial data included therein with the latest plans and budgets approved by management and assessing whether the discounted cash flow forecasts were prepared in accordance with the requirements of the prevailing accounting standards;
	
	• comparing the cash flows for the year ended 31 December 2016 for each operating right as previously projected by management as at 31 December 2015 with the actual results for the current year to assess the reliability of management's forecasting process and investigating reasons for any significant differences between the forecast and actual figures;
	
	• evaluating the key assumptions adopted in management's discounted cash flow forecasts (including the revenue growth rate over the concession period, future operating costs and the discount rates applied) as follows:
	
	    • assessing the revenue growth rate over the concession period and the amount of future operating costs with reference to external data and the future prospects of the business;
	
	    • engaging our internal valuation specialists to assist us in evaluating the discount rates adopted by management in the discounted cash flow forecasts by comparison with available financial information of other companies in the relevant industry and considering any country and company specific risk premiums;

The Key Audit Matter	How the matter was addressed in our audit
Certain intangible assets relating to service concession arrangements were considered to be impaired as at 31 December 2015 and 2016 and any changes in the assumptions adopted to assess the recoverable amount of each operating right could lead to further impairment charges in the current or future years. We identified assessing potential impairment of intangible assets relating to service concession arrangements as a key audit matter because determining the level of impairment, if any, involves a significant degree of management judgement, in particular in forecasting future cash flows and estimating the recoverable amounts both of which are inherently uncertain and could be subject to management bias.	• assessing the sensitivity of key assumptions, including the discount rates adopted and the future cash flows in management's discounted cash flow forecasts, to changes and considering whether there were any evidence of potential management bias; • considering the disclosures in the consolidated financial statements in respect of the impairment testing of intangible assets relating to service concession arrangements, including the disclosure of the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

Provision for taxation

Refer to notes 6 and 22 to the consolidated financial statements and the accounting policies on page 78–79.

The Key Audit Matter	How the matter was addressed in our audit
The determination of provisions for current tax and deferred tax recognised in the consolidated financial statements requires management judgement as to the likely outcome of decisions to be made by the tax authorities in the various tax jurisdictions in which the Group operates. There is a risk that the judgements on which the provisions are based do not take into account or do not properly reflect the latest available information or the appropriate application of relevant tax legislation and the provisions could be either understated or overstated.	Our audit procedures to assess the provision for taxation included the following: • engaging our internal taxation specialists to evaluate the Group's tax provisions as at 31 December 2016, which involving challenging management's assumptions and judgements based on their experience, knowledge and understanding of the practices of the application of the relevant tax laws by the various local tax jurisdictions; • re-calculating the current tax provision and deferred tax assets and liabilities for significant operating entities within the Group and comparing our calculations with the amounts recorded by the Group;

The Key Audit Matter	How the matter was addressed in our audit
We identified provision for taxation as a key audit matter because the estimates on which the provisions are based entail a significant degree of management judgement and may be subject to management bias.	• comparing the carrying amounts of assets and liabilities for financial reporting purposes with their tax bases and assessing whether the recognition of deferred tax assets/liabilities was consistent with the requirements of the local tax rules and the Group's accounting policies therefor; • assessing whether deferred tax assets had been appropriately recognised as at 31 December 2016 based on the extent to which they can be set off against future taxable profits as follows: – evaluating management's profit forecasts, which indicate future profits to generated against which the deferred tax assets may be utilised; – assessing the judgements underpinning management's profit forecasts by discussing with management how they determined the key assumptions; – evaluating the profit forecasts report prepared by the management and challenging the assumptions used in the preparation of the forecasts by considering the historical accuracy of prior year forecasts and the latest information available for the current year.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Kwin Fong.

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

23 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	3	1,874,479	1,257,877
Direct costs and operating expenses		(1,287,014)	(840,052)
		587,465	417,825
Other revenue	4	74,009	45,843
Other net (loss)/income	4	(1,113)	582
Administrative expenses		(112,354)	(97,828)
Other operating expenses		(184)	(1,491)
Profit from operations		547,823	364,931
Finance costs	5(a)	(120,115)	(108,718)
Profit before taxation	5	427,708	256,213
Income tax	6	(71,249)	(29,455)
Profit for the year		356,459	226,758
Attributable to:			
Equity shareholders of the Company		356,459	226,758
Non-controlling interests		—	—
Profit for the year		356,459	226,758

The notes on pages 66 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2016

(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translation of financial statements, net of nil tax		6,246	6,240
Total comprehensive income for the year		362,705	232,998
Attributable to:			
Equity shareholders of the Company		362,705	232,998
Non-controlling interests		—	—
Total comprehensive income for the year		362,705	232,998
Basic earnings per share	9	RMB0.34	RMB0.22
Diluted earnings per share	9	RMB0.34	RMB0.22

The notes on pages 66 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Other property, plant and equipment	10	10,217	9,543
Intangible assets	11	2,692,726	1,948,672
Investment in an associate	13	3,500	3,500
Other receivables	16	267,294	211,249
Gross amounts due from customers for contract work	14	2,226,025	1,871,490
Deferred tax assets	22(b)	2,866	1,679
		5,202,628	4,046,133
Current assets			
Inventories	15	31,927	15,370
Trade and other receivables	16	502,523	450,951
Gross amounts due from customers for contract work	14	30,336	12,706
Restricted deposits	17	46,192	26,366
Cash and cash equivalents	18	535,413	534,643
		1,146,391	1,040,036
Current liabilities			
Loans and borrowings	19	628,844	352,314
Trade and other payables	20	496,318	343,477
Current taxation	22(a)	31,802	19,677
Current portion of deferred income	23	667	—
		1,157,631	715,468
Net current (liabilities)/assets		(11,240)	324,568
Total assets less current liabilities		5,191,388	4,370,701

The notes on pages 66 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current liabilities			
Loans and borrowings	19	1,993,701	1,546,343
Deferred tax liabilities	22(b)	103,041	77,586
Trade payables	20	331,568	336,382
Non-current portion of deferred income	23	18,333	—
		2,446,643	1,960,311
NET ASSETS		2,744,745	2,410,390
CAPITAL AND RESERVES			
Capital	24	1,045,000	1,045,000
Reserves	24	1,696,745	1,365,390
Total equity attributable to equity shareholders of the Company		2,741,745	2,410,390
Non-controlling interests		3,000	—
TOTAL EQUITY		2,744,745	2,410,390

Approved and authorized for issue by the board of directors on 23 March 2017.

Qiao Dewei
Director

Hu Shengyong
Director

The notes on pages 66 to 124 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								
	Note	Capital RMB'000 24(c)	Share premium RMB'000 24(d)(i)	Capital reserve RMB'000 24(d)(ii)	Statutory reserve RMB'000 24(d)(iii)	Exchange reserve RMB'000 24(d)(iv)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015		1,045,000	548,950	80,035	14,594	(16,800)	505,613	2,177,392	—	2,177,392
Changes in equity for 2015:										
Profit for the year		—	—	—	—	—	226,758	226,758	—	226,758
Other comprehensive income		—	—	—	—	6,240	—	6,240	—	6,240
Total comprehensive income		—	—	—	—	6,240	226,758	232,998	—	232,998
Appropriation to statutory reserve	24(d)(iii)	—	—	—	7,820	—	(7,820)	—	—	—
At 31 December 2015		1,045,000	548,950	80,035	22,414	(10,560)	724,551	2,410,390	—	2,410,390
At 1 January 2016		1,045,000	548,950	80,035	22,414	(10,560)	724,551	2,410,390	—	2,410,390
Changes in equity for 2016:										
Profit for the year		—	—	—	—	—	356,459	356,459	—	356,459
Other comprehensive income		—	—	—	—	6,246	—	6,246	—	6,246
Total comprehensive income		—	—	—	—	6,246	356,459	362,705	—	362,705
Capital injected		—	—	—	—	—	—	—	3,000	3,000
Dividends approved in respect of the previous year	24(b)(ii)	—	—	—	—	—	(31,350)	(31,350)	—	(31,350)
Appropriation to statutory reserve	24(d)(iii)	—	—	—	11,125	—	(11,125)	—	—	—
At 31 December 2016		1,045,000	548,950	80,035	33,539	(4,314)	1,038,535	2,741,745	3,000	2,744,745

The notes on pages 66 to 124 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		427,708	256,213
Adjustments for:			
Amortisation	5(c)	75,673	58,806
Depreciation	5(c)	2,742	2,161
Impairment loss of intangible assets	5(c)	—	22,900
(Reversal of impairment loss)/impairment loss of trade and other receivables	5(c)	(1,044)	1,046
Finance costs	5(a)	112,538	98,743
Interest income	4	(2,884)	(5,284)
Net loss/(gain) on disposal of other property, plant and equipment	4	17	(14)
Listing expenses		—	(3,300)
Net foreign exchange loss/(gain)	4	1,096	(568)
Changes in working capital:			
Increase in inventories		(16,557)	(8,048)
Increase in intangible assets		(818,780)	(431,845)
Decrease/(increase) in trade and other receivables		1,365	(180,326)
Increase in gross amounts due from customers for contract work		(372,165)	(306,473)
Increase in trade and other payables		140,957	87,576
Increase in deferred income		19,000	—
Increase in restricted deposits		(19,826)	(2,552)
Cash used in operations		(450,160)	(410,965)
People's Republic of China ("**PRC**") income tax paid		(41,720)	(35,858)
PRC income tax refund		7,396	17,575
Net cash used in operating activities		(484,484)	(429,248)

The notes on pages 66 to 124 form part of these financial statements.

For the year ended 31 December 2016
(Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Investing activities			
Payment for purchase of other property, plant and equipment	10	(3,439)	(5,067)
Payment for purchase of computer software and waste-to-energy project operating rights		(101,138)	(62)
Proceeds from disposal of other property, plant and equipment		6	24
Interests received		2,884	4,359
Net cash used in investing activities		(101,687)	(746)
Financing activities			
Proceeds from bank loans		1,681,770	1,138,978
Repayment of bank loans		(1,049,510)	(832,338)
Proceeds from loans from equity shareholder and a fellow subsidiary		300,285	100,000
Repayment of loans from equity shareholder and a fellow subsidiary		(209,274)	(100,000)
Proceeds from non-controlling shareholder		3,000	—
Dividend paid to equity shareholders of the Company	24(b) (ii)	(31,350)	—
Interests paid		(109,851)	(103,180)
Payment of listing expenses		(2,423)	(7,340)
Net cash generated from financing activities		582,647	196,120
Net decrease in cash and cash equivalents		(3,524)	(233,874)
Cash and cash equivalents at 1 January		534,643	762,356
Effect of foreign exchanges rate changes		4,294	6,161
Cash and cash equivalents at 31 December	18	535,413	534,643

The notes on pages 66 to 124 form part of these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations adopted by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**SEHK**") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

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

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2016 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

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

Going concern basis of accounting

The consolidated financial statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2016 amounting to RMB11,240,000, and the purchase and capital commitments already contracted for by the Group of RMB1,283,024,000, which in aggregate lead to liquidity concern for the Group.

The reason for the net current liabilities was owing to the fact that the Group financed its certain capital expenditure and operations with short-term loans. The directors of the Group have taken/will take the following measures to ensure the Group has sufficient financial resources to meet its operation requirement for a reasonable period of time:

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Going concern basis of accounting (Continued)

(i) The Group maintained good long-term business relationship with major financial institutions, so as to ensure that it can obtain sufficient reserves of cash and adequate committed lines of funding from them to meet its liquidity requirement. At 31 December 2016, the unutilised banking facilities of the Group amounted to RMB1,638,598,000.

(i) With the commencement of operations of the new waste-to-energy projects in the near future, the directors foresee that the Group will generate sufficient operating cash inflow to meet its liquidity requirement.

In view of the above, the directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the forthcoming future, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months from 31 December 2016 and the Group's preparation of the consolidated financial statements on a going concern assumption is reasonable.

(c) Changes in accounting policies

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(h) depending on the nature of the liability.

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

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

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

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

(e) Associates

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Associates (Continued)

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

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

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

(f) Translation of foreign currencies

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

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

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

(g) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred; or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Non-derivative financial assets (Continued)

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

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

(i) Gross amounts due from customers for contract work

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

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

(ii) Trade and other receivables

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

(iii) Cash and cash equivalents and restricted deposits

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

Restricted deposits mainly represent deposits pledged for Build-Operate-Transfer ("BOT") contracts and letter of credit.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Non-derivative financial liabilities

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

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

(i) Trade and other payables

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

(ii) Interest-bearing borrowings

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

(i) Ordinary share

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

(j) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold or consumed, the carrying amount of those inventories is recognised as an expense in profit or loss. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Other property, plant and equipment

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

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

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

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

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

(l) Intangible assets

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Intangible assets (Continued)

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

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

Both the period and method of amortisation are reviewed annually.

(m) Construction contracts

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

(n) Operating lease charges

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

(o) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of assets (Continued)

(ii) Impairment of other assets

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

— Other property, plant and equipment;

— Intangible assets;

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

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

— *Reversals of impairment losses*

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

(iii) Interim financial reporting and impairment

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Service concession arrangement

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Revenue recognition (Continued)

(ii) Revenue from construction services

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

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

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

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

(iv) Finance income

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

(v) Government grants

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

(vi) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(r) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax

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

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

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

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

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

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

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Income tax (Continued)

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

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

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

— the same taxable entity; or

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

(t) Borrowing costs

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

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

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Related parties (Continued)

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

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

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

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

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

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

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

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

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(v) Segment reporting

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

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

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

Service concession arrangements

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

(b) Sources of estimation uncertainty

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

(i) Construction contracts

As explained in policy notes 1(m) and 1(q)(ii), revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached, the "Gross amounts due from customers for contract work" as disclosed in note 14 and the "Waste-to-energy project operating rights" in note 11 will not include profit which the Group may eventually realise from the work to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Impairment losses for bad and doubtful debts

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

2 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

(b) Sources of estimation uncertainty (Continued)

(iii) Other impairment losses

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

(iv) Income taxes

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

3 REVENUE

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

Revenue represents the income from construction services under BOT and Build-Transfer ("**BT**") arrangements, income from waste-to-energy project operation services and finance income under the BOT arrangements. Further details regarding the Group's BOT arrangements are disclosed in note 14. The amount of each significant category of revenue recognised during the year is as follows:

	2016 RMB'000	2015 RMB'000
Income from waste-to-energy project construction services	1,209,241	737,779
Income from waste-to-energy project operation services	521,088	396,849
Finance income	144,150	123,249
	1,874,479	1,257,877

The Group has transactions with the PRC local government authorities and power grid companies which in aggregate exceeded 10% of the Group's revenue. Income from provision of waste-to-energy project construction and operation services and finance income derived from local government authorities and power grid companies in the PRC for the year ended 31 December 2016 amounted to RMB1,863,068,000 (2015: RMB1,244,464,000). Details of concentrations of credit risk arising from these customers are set out in note 25(a).

4 OTHER REVENUE AND NET (LOSS)/INCOME

	2016 RMB'000	2015 RMB'000
Other revenue		
Interest income	2,884	5,284
Government grants (i)	4,492	4,076
Value-added-tax refund (ii)	66,071	36,313
Others	562	170
	74,009	45,843

4 OTHER REVENUE AND NET (LOSS)/INCOME (Continued)

	2016 RMB'000	2015 RMB'000
Other net (loss)/income		
Net (loss)/gain on disposal of other property, plant and equipment	(17)	14
Net foreign exchange (loss)/gain	(1,096)	568
	(1,113)	582

(i) For the year ended 31 December 2016, the Group received unconditional government grants of RMB3,492,000 (2015: RMB4,076,000). These grants were recognised as income when received.

For the year ended 31 December 2016, the Group received grants of RMB20,000,000 (2015: Nil) which were conditional. These government grants was recognised as deferred income in the consolidated statement of financial position and amortised through profit or loss on a systematic basis as same as the useful life of the waste-to-energy project operating rights. During 2016, RMB1,000,000 of conditional government grants were recognised in profit or loss (2015: Nil).

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

5 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2016 RMB'000	2015 RMB'000
Interest on bank loans, entrusted loans and other borrowings	112,538	98,743
Other interest expenses	23,394	21,411
	135,932	120,154
Less: interest expense capitalised into intangible assets*	(15,817)	(11,436)
	120,115	108,718

* The borrowing costs have been capitalised at a rate of 4.41% to 5.77% per annum in 2016 (2015: 4.68% to 6.69%).

5 PROFIT BEFORE TAXATION (Continued)

(b) Staff costs

	2016 RMB'000	2015 RMB'000
Contributions to defined contribution retirement plans (note 21)	13,669	10,417
Salaries, wages and other benefits	146,402	132,150
	160,071	142,567

(c) Other items

	2016 RMB'000	2015 RMB'000
Cost of construction service*	1,009,018	614,566
Operating lease charges	2,024	2,010
Amortisation of intangible assets	75,673	58,806
Depreciation	2,742	2,161
Impairment loss of intangible assets	—	22,900
(Reversal of impairment loss)/impairment loss of trade and other receivables	(1,044)	1,046
Auditor's remuneration	3,044	2,709
Research and development costs**	8,255	11,788

* Cost of construction service include RMB32,385,000 for the year ended 31 December 2016 (2015: RMB27,554,000) relating to staff costs of employees in the construction service, whose amount is also included in the respective total amounts disclosed separately in note 5(b).

For the year ended 31 December 2015, cost of construction service include impairment loss of prepayments for construction amounted to RMB12,031,000.

** Research and development costs include RMB4,763,000 for the year ended 31 December 2016 (2015: RMB8,064,000) relating to staff costs of employees in the research and development department and depreciation expenses, whose amount is also included in the respective total amounts disclosed separately in note 5(b).

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for PRC income tax for the year	54,359	32,063
Under-provision in respect of prior years	18	657
PRC income tax refund (note 6(b)(ii)&(iii))	(7,396)	(17,575)
	46,981	15,145
Deferred tax		
Origination and reversal of temporary differences	24,268	14,310
Income tax expense	71,249	29,455

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	427,708	256,213
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (i)	106,927	64,053
Tax effect of preferential tax treatments (ii)	(26,396)	(31,517)
Tax effect of non-deductible expenses	941	413
Tax effect of temporary differences not recognised	—	7,132
Deferred tax assets recognised for tax losses not recognised in previous years	(3,228)	—
Deferred tax assets recognised for un-recognised temporary difference of previous years	—	(868)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	—	1,930
PRC income tax refund (ii&iii)	(7,396)	(17,575)
Tax effect of tax losses not recognised	2	2,179
Tax effect of utilisation of tax losses not recognised of previous years	(3,628)	—
Under-provision in respect of prior years	18	657
PRC withholding tax (iv)	4,881	4,392
Others	(872)	(1,341)
Actual tax expense	71,249	29,455

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

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

(i) No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax for the year ended 31 December 2016 (2015: Nil).

The Group's PRC entities are subject to income tax at the statutory rate of 25% for the year ended 31 December 2016 (2015: 25%), unless otherwise specified in note 6(b)(ii).

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

The Company was approved as a High and New Technology Enterprise ("**HNTE**") in September 2009 according to the "Notification of the Registration Filing of the Tax Concession" promulgated by local tax bureau of Nanshan District, Shenzhen, which entitled the Company to a preferential income tax rate of 15% from January 2008 to December 2010. On 31 October 2011, the Company renewed its HNTE qualification, entitling it to the preferential income tax rate of 15% from January 2011 to December 2013. On 30 September 2014, the Company renewed its HNTE qualification, the validation period of the qualification is from January 2014 to December 2016.The Company was entitled to the preferential income tax rate of 15% during 2015 and 2016.

Entities engaged in qualified environmental protection, water and energy conservation, are eligible for a tax exemption for the first year to the third year, and a 50% reduction in corporate income tax for the fourth year to the sixth year starting from the year in which the entities first generate operating income (the "**3+3 tax holiday**"). Rushan Dynagreen Renewable Energy Co., Ltd. ("**Rushan Dynagreen**") obtained the "Notification of Corporate Income Tax ("**CIT**") 3+3 tax holiday" in 2014 and was entitled to the 3+3 tax holiday retrospectively from 2014 to 2019. Yongjia Dynagreen Renewable Energy Co., Ltd. ("**Yongjia Dynagreen**"), Pingyang Dynagreen Renewable Energy Co., Ltd. ("**Pingyang Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2015 and were entitled to the 3+3 tax holiday retrospectively from 2012 to 2017. Wuhan Dynagreen Renewable Energy Co., Ltd. ("**Wuhan Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2015 and was entitled to the 3+3 tax holiday retrospectively from 2013 to 2018. Taizhou Dynagreen Renewable Energy Co., Ltd. ("**Taizhou Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2014 and was entitled to the 3+3 tax holiday retrospectively from 2013 to 2018. Landfill portion of Huizhou Dynagreen Renewable Energy Co., Ltd. ("**Huizhou Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2015 and was entitled to the 3+3 tax holiday retrospectively from 2014 to 2019. Incineration portion of Huizhou Dynagreen obtained the "Notification of CIT 3+3 tax holiday in 2016 and was entitled to the 3+3 tax holiday from 2016 to 2021. Anshun Dynagreen Renewable Energy Co., Ltd. ("**Anshun Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2015 and was entitled to the 3+3 tax holiday retrospectively from 2015 to 2020. Tianjin Dynagreen Renewable Energy Co., Ltd ("**Jixian Dynagreen**") obtained the "Notification of CIT 3+3 tax holiday" in 2016 and was entitled to the 3+3 tax holiday retrospectively from 2016 to 2021.The above subsidiaries were subject to 25% income tax rate before they were entitled to the 3+3 tax holiday. In 2015, the local tax authorities refunded RMB17,575,000 in respect of corporate income tax for prior years as a results of the above mentioned tax concession to Yongjia Dynagreen, Pingyang Dynagreen, Wuhan Dynagreen, Taizhou Dynagreen and Huizhou Dynagreen. In 2016, the local tax authorities refunded RMB4,955,000 in respect of corporate income tax for prior years as a results of the above mentioned tax concession to Yongjia Dynagreen and Wuhan Dynagreen.

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

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

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

Pursuant to Regulation on the Implementation of CIT Law, entities with annual taxable income not more than RMB300,000 (i.e. micro-profit entities) was subject to a preferential income tax rate of 20%. According to relevant tax concession notification from the PRC national tax bureau, qualified mirco-profit entities with annual taxable income not more than RMB100,000 in 2014 to 2016, were entitled to a further tax concession of 50% on its annual taxable income, which was then subject to the preferential income tax rate of 20%. And qualified mirco-profit entities with annual taxable income not more than RMB300,000 in 2015 to 2017, were entitled to a further tax concession of 50% on its annual taxable income, which was then subject to the preferential income tax rate of 20%.

Beijing Dynagreen Environmental Protection Technology Research Institute Co., Ltd. ("**Beijing Research Institute**") satisfied the aforementioned criteria in 2015 and was subject to a preferential income rate of 20% on its 50% deducted taxable income in 2015. For the year ended 31 December 2016, the total assets of Beijing Research Institute exceed RMB10,000,000 which does not fulfil the requirements set for the definition of micro-profit enterprise under the CIT law anymore. Hence in 2016, Beijing Research Institute was subject to income tax at the statutory rate of 25%.

(iii) In 2016, the Company received tax refunds from the local tax authority amounted to RMB2,441,000 for the over-paid income tax in respect of prior years.

(iv) According to CIT law and its implementation rules, non-PRC-resident enterprises are levied withholding tax at 10% on dividends from their PRC-resident investees for profits earned since 1 January 2008.The Group provide for PRC dividend withholding tax at 10%.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	Directors' and supervisors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	2016 Total RMB'000
Executive directors					
Qiao Dewei (喬德衛)	–	863	30	1,054	1,947
Hu Shengyong (胡聲泳)	–	582	32	720	1,334
Non-executive directors					
Liu Shuguang (劉曙光)	–	–	–	–	–
Guo Yitao(郭燚濤) (note (a))	–	–	–	–	–
Sun Jing (孫婧) (note (b))	–	–	–	–	–
Ma Xiaopeng (馬曉鵬)	–	–	–	–	–
Zhi Jun (直軍)	–	–	–	–	–
Independent non-executive directors					
Chen Xin (陳鑫)	50	–	–	–	50
Kwan Kai Cheong (關啟昌)	240	–	–	–	240
Ou YueZhou (區岳州) (note (c))	50	–	–	–	50
Supervisors					
Hu Fang (胡芳)	–	104	11	16	131
Luo Zhaoguo (羅照國)	–	–	–	–	–
Liu Jingsong (劉勁松)	–	–	–	–	–
Total	340	1,549	73	1,790	3,752

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

	Directors' and supervisors' fees RMB'000	Salaries, allowances and other benefits RMB'000	Contributions to defined contribution retirement plans RMB'000	Discretionary bonuses RMB'000	2015 Total RMB'000
Executive directors					
Qiao Dewei (喬德衛)	—	849	26	900	1,775
Hu Shengyong (胡聲泳)	—	537	28	630	1,195
Non-executive directors					
Liu Shuguang (劉曙光)	—	—	—	—	—
Sun Jing (孫婧) (note (b))	—	—	—	—	—
Ma Xiaopeng (馬曉鵬)	—	—	—	—	—
Zhi Jun (直軍)	—	—	—	—	—
Independent non-executive directors					
Chen Xin (陳鑫)	50	—	—	—	50
Lai Desheng (賴德勝) (note (d))	—	—	—	—	—
Kwan Kai Cheong (關啟昌)	195	—	—	—	195
Ou Yuezhou (區岳州) (note (c))	50	—	—	—	50
Supervisors					
Hu Fang (胡芳)	—	94	10	10	114
Luo Zhaoguo (羅照國)	—	—	—	—	—
Liu Jingsong (劉勁松)	—	—	—	—	—
Total	295	1,480	64	1,540	3,379

Notes:

(a) Mr. Guo Yitao was appointed as non-executive director on 18 April 2016.

(b) Ms. Sun Jing resigned as non-executive director on 18 April 2016.

(c) Mr. Ou Yuezhou was appointed as independent non-executive director on 19 June 2015.

(d) Mr. Lai Desheng resigned as independent non-executive director on 19 June 2015.

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2015: two) are the directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2015: three) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	1,746	1,611
Contributions to defined contribution retirement plans	95	83
Discretionary bonuses	2,010	1,980
	3,851	3,674

The emoluments of the three (2015: three) individuals with the highest emoluments are within the following bands:

	2016 Number of individuals	2015 Number of individuals
HKD		
1,000,001 to 1,500,000	3	2
1,500,001 to 2,000,000	—	1

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB356,459,000 (2015: RMB226,758,000) and the weighted average number of 1,045,000,000 ordinary shares (2015: 1,045,000,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

The Company did not have any potential dilutive ordinary shares throughout the year (2015: Nil). Accordingly, diluted earnings per share is the same as basic earnings per share.

10 OTHER PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:			
At 1 January 2015	8,234	8,140	16,374
Additions	1,246	3,821	5,067
Disposals	(2)	(66)	(68)
At 31 December 2015 and 1 January 2016	9,478	11,895	21,373
Additions	854	2,585	3,439
Disposals	—	(401)	(401)
At 31 December 2016	10,332	14,079	24,411
Accumulated depreciation:			
At 1 January 2015	5,329	4,398	9,727
Charge for the year	968	1,193	2,161
Written back on disposals	(2)	(56)	(58)
At 31 December 2015 and 1 January 2016	6,295	5,535	11,830
Charge for the year	934	1,808	2,742
Written back on disposals	—	(378)	(378)
At 31 December 2016	7,229	6,965	14,194
Net book value:			
At 31 December 2016	3,103	7,114	10,217
At 31 December 2015	3,183	6,360	9,543

11 INTANGIBLE ASSETS

	Computer software RMB'000	Waste-to-energy project operating rights RMB'000	Construction license RMB'000	Total RMB'000
Cost:				
At 1 January 2015	557	1,762,454	6,529	1,769,540
Additions	62	431,845	—	431,907
Exchange adjustments	—	683	—	683
At 31 December 2015 and 1 January 2016	619	2,194,982	6,529	2,202,130
Additions	91	818,780	—	818,871
Exchange adjustments	—	1,572	—	1,572
At 31 December 2016	710	3,015,334	6,529	3,022,573
Accumulated amortisation and impairment loss:				
At 1 January 2015	166	171,386	162	171,714
Charge for the year	51	58,597	158	58,806
Impairment loss	—	16,691	6,209	22,900
Exchange adjustment	—	38	—	38
At 31 December 2015 and 1 January 2016	217	246,712	6,529	253,458
Charge for the year	55	75,618	—	75,673
Exchange adjustment	—	716	—	716
At 31 December 2016	272	323,046	6,529	329,847
Net book value:				
At 31 December 2016	438	2,692,288	—	2,692,726
At 31 December 2015	402	1,948,270	—	1,948,672

11 INTANGIBLE ASSETS (Continued)

(a) The cost of waste-to-energy project operating rights represented the fair value of operating rights acquired. The operating rights was deemed to be definite life intangible assets as the BOT arrangements stated that the operation periods vary from 23 years to 30 years. It is expected to generate long-term net cash inflow to the Group.

For those waste-to-energy projects which have not yet commenced operation, the Group assesses the recoverable amount of each operating right at the end of each year. At 31 December 2016, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required (2015: Nil).

For those waste-to-energy projects which have commenced operation, the Group assesses the recoverable amount of each operating right when there is an impairment indication. At 31 December 2016, the recoverable amounts of the operating right are estimated to be higher than the carrying amount, and no impairment is required (2015:RMB16,691,000).

The recoverable amounts of each operating right are determined based on value-in-use calculations. The Group assessed the recoverable amounts of calculations using cash flow projections based on financial budgets covering each specific operating period. The cash flows are discounted using a discount rate of 10.87% (2015: 5.81%–6.68%). The discount rates used are pre-tax and reflect specific risks relating to the relevant operating rights.

(b) The Company acquired the entire equity interest of Zhejiang Dongyang Fuli Construction Limited Company ("Fuli") on 17 October 2013 and recognized construction license, which represented the qualification for providing construction project management services as acquired during acquisition of Fuli, at its fair value at the acquisition date.

As at 31 December 2015, the Group changed its business plan, according to which the construction license will be idle and cannot generate expected cash flows in the foreseeable future, therefore the Group provided full impairment of RMB6,209,000 on this construction license.

(c) Amortisation of intangible assets is included in "direct costs and operating expenses" in the consolidated statements of profit or loss and other comprehensive income of the Group.

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES

At 31 December 2016, the Company has direct and indirect interests in the following entities and the particulars of which are set out below:

Name of companies	Place of Incorporation and business/date of establishment	Issued and paid up/ registered capital	Proportion of ownership interest		Principal Activities
			Direct	Indirect	
Haining Dynagreen Renewable Energy Co., Ltd. (i) (海寧綠色動力再生能源有限公司) (ii)	PRC 15 March 2004	RMB 100,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Taizhou Dynagreen Renewable Energy Co., Ltd. (i) (泰州綠色動力再生能源有限公司) (ii)	PRC 2 November 2009	RMB 180,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Qingdao Dynagreen Renewable Energy Co., Ltd. (i) (青島綠色動力再生能源有限公司) (iii)	PRC 23 September 2005	HKD93,500,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Wuhan Dynagreen Renewable Energy Co., Ltd. (i) (武漢綠色動力再生能源有限公司) (ii)	PRC 15 September 2006	RMB129,484,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Yongjia Dynagreen Renewable Energy Co., Ltd. (i) (永嘉綠色動力再生能源有限公司) (ii)	PRC 1 February 2010	RMB100,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Pingyang Dynagreen Renewable Energy Co., Ltd. (i) (平陽綠色動力再生能源有限公司) (ii)	PRC 6 April 2010	RMB100,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Rushan Dynagreen Renewable Energy Co., Ltd. (i) (乳山綠色動力再生能源有限公司) (ii)	PRC 25 October 2010	RMB100,880,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Changzhou Dynagreen Environmental and Thermoelectric Co., Ltd. (i) (常州綠色動力環保熱電有限公司) (iv)	PRC 31 December 2005	RMB138,400,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Beijing Dynagreen Environmental Protection Research Institute Co., Ltd. (i) (北京綠色動力環保技術研究院有限公司) (ii)	PRC 7 December 2010	RMB15,000,000	100%	–	Conduct of environmental protection research projects
Zhangqiu Dynagreen Renewable Energy Co., Ltd. (i) (章丘綠色動力再生能源有限公司) (ii)	PRC 16 February 2012	RMB120,880,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Anshun Dynagreen Renewable Energy Co., Ltd. (i) (安順綠色動力再生能源有限公司) (ii)	PRC 18 May 2012	RMB100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Jurong Dynagreen Renewable Energy Co., Ltd. (i) (句容綠色動力再生能源有限公司) (ii)	PRC 24 September 2012	RMB100,000,000	98%	2%	Design, construction, operation and management of waste-to-energy power plant
Pingyao Dynagreen Renewable Energy Co., Ltd. (i) (平遙縣綠色動力再生能源有限公司) (ii)	PRC 14 November 2012	RMB 20,000,000/ RMB 100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of companies	Place of Incorporation and business/date of establishment	Issued and paid up/ registered capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect	Principal Activities
Huizhou Dynagreen Environment Co., Ltd. (i) (惠州綠色動力環保有限公司) (ii)	PRC 19 December 2012	RMB 220,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Tianjin Dynagreen Renewable Energy Co., Ltd. (i) (天津綠色動力再生能源有限公司) (iii)	PRC 6 June 2013	RMB100,000,000	60%	40%	Design, construction, operation and management of waste-to-energy power plant
Blue-ocean Environment Investment Holding Company Limited (藍洋環保投資控股有限公司)	Hong Kong 30 June 2005	HKD239,329,000	100%	–	Investment holding
Tianjin Dynagreen Environmental Energy Co., Ltd. (i) (天津綠动環保能源有限公司) (ii)	PRC 13 November 2013	RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Zhejiang Dongyang Fuli Construction Limited Company (i) (浙江省東陽市富力建設有限公司) (ii)	PRC 15 December 2011	RMB20,800,000	100%	–	Provision of construction service
Beijing Dynagreen Environment Co., Ltd. (i) (北京綠色動力環保有限公司) (ii)	PRC 21 February 2014	RMB120,000,000/ RMB375,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Hongan Dynagreen Renewable Energy Co., Ltd. (i) (紅安綠色動力再生能源有限公司) (ii)	PRC 02 July 2014	RMB7,000,000/ RMB100,000,000	99%	1%	Design, construction, operation and management of waste-to-energy power plant
Longhui Dynagreen Renewable Energy Co., Ltd. (i) (隆回綠色動力再生能源有限公司) (ii)	PRC 22 September 2014	RMB20,000,000/ RMB100,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Shantou Dynagreen Renewable Energy Co., Ltd. (i) (汕头市綠色動力再生能源有限公司) (iii)	PRC 29 December 2014	RMB15,010,000/ RMB160,000,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Bobai Dynagreen Renewable Energy Co., Ltd. (i) (博白綠色動力再生能源有限公司) (iii)	PRC 27 April 2015	RMB19,102,050/ RMB100,000,000	75%	25%	Design, construction, operation and management of waste-to-energy power plant
Bengbu Dynagreen Renewable Energy Co., Ltd. (i) (蚌埠綠色動力再生能源有限公司) (ii)	PRC 6 September 2015	RMB90,000,000/ RMB166,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Beijing Dynagreen Renewable Energy Co., Ltd. (i) (北京綠色動力再生能源有限公司) (ii)	PRC 7 January 2016	RMB101,000,000/ RMB120,000,000	100%	–	Design, construction, operation and management of waste-to-energy power plant
Yichun Dynagreen Renewable Energy Co., Ltd. (i) (宜春綠色動力再生能源有限公司) (iii)	PRC 19 August 2016	RMB36,416,000/ RMB165,000,000	90%	–	Design, construction, operation and management of waste-to-energy power plant

12 INVESTMENTS IN SUBSIDIARIES (Continued)

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

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

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

(iv) This is registered under the laws of the PRC as a Sino-foreign co-operation joint venture.

13 INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	**3,500**	3,500

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

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

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

13 INVESTMENT IN AN ASSOCIATE (Continued)

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

	2016 RMB'000	2015 RMB'000
Gross amounts of the associate's		
Current assets	9,998	9,998
Current liabilities	—	—
Equity	9,998	9,998
Profit or loss and total comprehensive income	—	—
Reconciled to the Group's interest in the associate		
Gross amounts of net assets of the associate	9,998	9,998
Group's effective interest	35%	35%
Group's share of net assets and carrying amount in the consolidated financial statements	3,500	3,500

14 GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	2016 RMB'000	2015 RMB'000
Contract costs incurred plus recognised profits less anticipated losses	2,327,969	1,922,210
Less: Progress billings	(71,608)	(38,014)
Net contract work	2,256,361	1,884,196
Representing:		
Gross amounts due from customers for contract work		
— Non-current	2,226,025	1,871,490
— Current	30,336	12,706
	2,256,361	1,884,196

Certain subsidiaries of the Group entered into service concession arrangements with the local government authorities in the PRC (the "**grantors**"). Pursuant to the service concession arrangements, the Group has to design, construct and operate and manage waste-to-energy projects in the PRC, with operation periods varying from 23 years to 30 years. The Group has the obligation to maintain the waste-to-energy power plants in good condition. The grantors guarantee that the Group will receive minimum annual payments for certain service concession arrangements. Upon expiry of the concession periods, the waste-to-energy power plants and the related facilities will be transferred to the local government authorities.

14 GROSS AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK (Continued)

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

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

"Gross amounts due from customers for contract work" mainly represent part of the revenue from construction under BOT arrangements and bear interest at rates of ranging from 5.32% to 8.12% per annum for the year ended 31 December 2016 (2015: 6.61% to 8.12%). Among the total of RMB2,256,361,000 (2015: RMB1,884,196,000), RMB1,857,993,000 (2015: RMB1,402,296,000) relates to BOT arrangements with operation commenced. The amounts for BOT arrangements are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

15 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2016 RMB'000	2015 RMB'000
Finished goods	21,847	—
Work in progress	—	7,650
Spare parts	10,080	7,720
	31,927	15,370

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss and other comprehensive income is as follows:

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories consumed	72,220	45,802

16 TRADE AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables and bills receivables	120,053	121,418
Less: Allowance for doubtful debts (note 16(b))	(170)	(706)
	119,883	120,712
Prepayments for construction and operating rights	331,331	198,370
Other receivables, deposits and prepayments	318,603	343,118
	769,817	662,200
Less: Non-current portion — Other receivables	(267,294)	(211,249)
	502,523	450,951

Included in "Other receivables, deposits and prepayments" and "Non-current portion — Other receivables" of the Group, the retention receivables of RMB28,480,000 (2015:RMB64,413,000) are expected to be recovered after more than one year.

Included in "Other receivables, deposits and prepayments" and "Non-current portion — Other receivables" of the Group include balances of RMB85,099,000 at 31 December 2016 (31 December 2015: RMB67,942,000), which represent the financial income receivables under BOT arrangements and is calculated based on gross amounts due from customers for contract work at interest rates ranging from 5.32% to 8.12% (2015: 6.61% to 8.12%). The amounts are not yet due for payment and will be settled by revenue to be generated during the operating periods of the BOT arrangements.

Included in "Other receivables, deposits and prepayments" and "Non-current portion — Other receivables" of the Group include balances of RMB7,471,000 at 31 December 2016 (31 December 2015: RMB8,147,000), which represent the financial income receivables under BT arrangements and is calculated based on gross amounts due from customers for contract work at interest rates ranging from 1.52% to 4.51% (2015: 1.50% to 4.51%). The amounts are not yet due for payment and will be repaid by the PRC local government authorities during the payment period as stipulated by the BT arrangements.

Included in "Other receivables, deposits and prepayments" and "Non-current portion — Other receivables" of the Group, RMB122,030,000 as at 31 December 2015 were unsecured, interest-bearing at 0.74% per annum, due from an unrelated party and will be repaid by instalments until 2020. On 1 August 2016, the unrelated party fully repaid the balance in advance.

Included in "Prepayments for construction and operating rights" and "Non-current portion — Other receivables" of the Group include balances of RMB101,594,000 at 31 December 2016 (2015: Nil), which represent the prepayments for acquisition of waste-to-energy project operating rights.

16 TRADE AND OTHER RECEIVABLES (Continued)

Included in "Other receivables, deposits and prepayments" and "Non-current portion — Other receivables" of the Group, the input value-added tax of RMB55,384,000 (2015:Nil) are expected to be deducted after more than one year.

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

(a) Ageing analysis

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

	2016 RMB'000	2015 RMB'000
Within 1 month	51,577	78,975
More than 1 month but within 3 months	34,931	25,303
More than 3 months but within 6 months	20,892	8,344
More than 6 months	12,483	8,090
	119,883	120,712

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

(b) Impairment of trade receivables and bills receivables

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

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

	2016 RMB'000	2015 RMB'000
At 1 January	706	350
Impairment loss (reversed)/recognised	(536)	356
At 31 December	170	706

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Impairment of trade receivables and bills receivables (Continued)

The Group's trade receivables and bills receivables of RMB3,401,000 as at 31 December 2016 (2015: RMB4,898,000) was determined to be impaired. The impaired receivables related to certain long-aged receivables and management assessed that a portion of such receivables might not be recovered based on management's experience. Consequently, allowances for doubtful debts of RMB170,000 was recognised for the Group as at 31 December 2016 (2015: RMB706,000).

(c) Trade receivables and bills receivables that are not impaired

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

	2016 RMB'000	2015 RMB'000
Neither past due nor impaired	49,754	77,243
More than 1 month but within 3 months past due	34,182	25,303
More than 3 months but within 6 months past due	20,233	8,344
More than 6 months but within 1 year past due	12,483	5,630
Amounts past due	66,898	39,277
	116,652	116,520

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

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

17 RESTRICTED DEPOSITS

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

18 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2016 RMB'000	2015 RMB'000
Cash at bank	523,406	504,606
Deposits with banks	11,967	30,000
Cash in hand	40	37
	535,413	534,643

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

19 LOANS AND BORROWINGS

At 31 December 2016, the loans and borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	628,844	352,314
After 1 year but within 2 years	339,654	372,617
After 2 years but within 5 years	846,895	672,591
After 5 years	807,152	501,135
	1,993,701	1,546,343
	2,622,545	1,898,657

19 LOANS AND BORROWINGS (Continued)

At 31 December 2016, the loans and borrowings were secured as follows:

	2016 RMB'000	2015 RMB'000
Bank loans		
— secured (note 19(a))	1,024,913	752,724
— unsecured (note 19(b))	1,506,621	1,145,933
	2,531,534	1,898,657
Loan from a fellow subsidiary (note 19(c))	91,011	—
	2,622,545	1,898,657

(a) Secured bank loans

Banking facilities of the Group amounting to RMB1,534,044,000 as at 31 December 2016 (2015: RMB1,154,536,000) were secured by certain receivables and operating rights in connection with the Group's service concession arrangements. Details of the secured assets are set out below:

	2016 RMB'000	2015 RMB'000
Intangible assets	1,494,776	1,193,221
Gross amounts due from customers for contract work	947,436	928,981
Trade and other receivables	121,168	123,269
	2,563,380	2,245,471

Apart from the above, the Company's investment in Rushan Dynagreen of RMB100,880,000 was pledged for the long-term bank loans borrowed by Rushan Dynagreen as at 31 December 2015.

At 31 December 2016, such banking facilities were utilised to the extent of RMB1,024,913,000 (2015: RMB752,724,000).

(b) Unsecured bank loans

Unsecured banking facilities of the Group amounting to RMB622,990,000 as at 31 December 2016 (2015: RMB622,990,000) were guaranteed by an equity shareholder of the Group. Such banking facilities were granted for a period of 10 years, which will be repaid by instalments from April 2017 to April 2023. At 31 December 2016, such banking facilities were utilised to the extent of RMB622,990,000 (2015: RMB622,990,000).

19 LOANS AND BORROWINGS (Continued)

(c) Loans from a fellow subsidiary

The loan from the fellow subsidiary was unsecured, interest-bearing at 5.77% per annum and will be repaid by instatements until 2021, among which RMB73,852,000 were not expect to be settled within one year (2015:Nil).

(d) Fulfillment of covenants

Banking facilities of RMB622,990,000 as at 31 December 2016 were subject to the fulfillment of covenants relating to certain of the Group's financial ratios. If the Group were to breach the covenants, the Group shall indemnify each lender against any cost, loss or liability incurred by such lender (including any loss of margin) within three business days of demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 25(b). At 31 December 2016, none of the covenants relating to drawn down facilities had been breached (2015: Nil).

20 TRADE AND OTHER PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	707,169	573,154
Other payables and accruals	120,717	106,705
	827,886	679,859
Less: Non-current portion — trade payables	(331,568)	(336,382)
	496,318	343,477

Include in "Trade payables" and "Non-current portion—trade payables", RMB342,696,000 as at 31 December 2016 (2015: RMB346,072,000) were unsecured, interest-bearing ranging from 4.64% to 8.51% per annum (2015: 4.64% to 8.51%), due to unrelated suppliers and will be repaid by instalments during the service concession period of the Group's respective BOT arrangements, among which RMB331,568,000 were not expected to be settled within one year (2015: RMB336,382,000).

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

20 TRADE AND OTHER PAYABLES (Continued)

As at the end of the reporting period, the ageing analysis of the trade creditors is as follows:

	2016 RMB'000	2015 RMB'000
Due within 1 month or on demand	183,266	189,479
Due after 1 month but within 6 months	86,144	16,032
Due after 6 months but within 1 year	58,312	31,261
Due after 1 year	379,447	336,382
	707,169	573,154

21 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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

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

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2016 RMB'000	2015 RMB'000
Provision for PRC income tax	54,359	32,063
Provisional PRC income tax paid	(22,557)	(12,386)
	31,802	19,677

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets and liabilities recognised

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

Deferred tax arising from:

	Temporary differences on operating rights RMB'000	Tax losses RMB'000	Trade and other receivables provision RMB'000	PRC withholding tax RMB'000	Total RMB'000
At 1 January 2015	64,564	(2,967)	—	—	61,597
Charged/(credited) to profit or loss	8,397	2,967	(829)	3,775	14,310
At 31 December 2015 and 1 January 2016	72,961	—	(829)	3,775	75,907
Charged/(credited) to profit or loss	24,402	(4,583)	205	4,244	24,268
At 31 December 2016	97,363	(4,583)	(624)	8,019	100,175

(ii) Reconciliation to the consolidated statement of financial position:

	2016 RMB'000	2015 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	(2,866)	(1,679)
Net deferred tax liabilities recognised in the consolidated statement of financial position	103,041	77,586
	100,175	75,907

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(c) Deferred tax assets not recognised:

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

	2016 RMB'000	2015 RMB'000
Deductible temporary differences arising from impairment of other receivables	39,779	46,679
Tax losses (i)	724	31,474
	40,503	78,153

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

	2016 RMB'000	2015 RMB'000
In 2018	716	3,951
In 2019	—	18,808
In 2020	—	8,715
In 2021	8	—
	724	31,474

(d) Deferred tax liabilities not recognised

As 31 December 2016 and 2015, there was no deferred tax liabilities not recognised.

23 DEFERRED INCOME

	2016 RMB'000	2015 RMB'000
Government grants	19,000	—
Less: Amount included under current liabilities	(667)	—
Amount included under non-current liabilities	18,333	—

The government grants was recognised as deferred income when received and amortised through profit or loss on a systematic basis as same as the useful life of the waste-to-energy project operating rights.

24 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Note	Capital RMB'000	Share Premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015		1,045,000	548,950	70,977	14,594	37,957	1,717,478
Total comprehensive income for the year		—	—	—	—	78,197	78,197
Appropriation to statutory reserve	24(d)(iii)	—	—	—	7,820	(7,820)	—
At 31 December 2015 and 1 January 2016		1,045,000	548,950	70,977	22,414	108,334	1,795,675
Total comprehensive income for the year		—	—	—	—	111,260	111,260
Appropriation to statutory reserve	24(d)(iii)	—	—	—	11,125	(11,125)	—
Dividends declared in respect of the previous year	24(b)(ii)	—	—	—	—	(31,350)	(31,350)
At 31 December 2016		1,045,000	548,950	70,977	33,539	177,119	1,875,585

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(b) Dividends

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

Subsequent to 31 December 2016, the directors of the Company proposed a dividend of RMB0.06 per ordinary share, amounting to a total of RMB62,700,000 and such dividend distribution was approved by the shareholders of the Company at the board meeting held on 23 March 2017. The dividend proposed after the end of the reporting period has not been recognised as a liability as at 31 December 2016.

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

	2016 RMB'000	2015 RMB'000
Final dividends in respect of the previous financial year, approved and paid during the year (2015: RMB Nil per share)	31,350	—

(c) Share Capital

Authorised and issued share capital

	2016 No. of shares ('000)	2016 Amount RMB'000	2015 No. of shares ('000)	2015 Amount RMB'000
At 1 January and 31 December	1,045,000	1,045,000	1,045,000	1,045,000

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

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

24 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(d) Nature and purpose of reserves (Continued)

(iii) Statutory reserve

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

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

(iv) Exchange reserve

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

(e) Capital management

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

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

The Group monitors its capital structure on the basis of debt to total assets ratio. The ratio of debt to total assets of the Group as of 31 December 2016 was 56.77% (2015: 52.61%).

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

Trade receivables of the Group represent receivables in respect of revenue from waste-to-energy project operation services which are settled on a monthly basis. Trade receivables are due within 10 days to 30 days from the date of billing. Management has a credit policy in place and the exposures to the credit risks are monitored on an ongoing basis. There was no recent history of default in respect of the Group's trade receivables.

Since most of the trade receivables are due from local government authorities and power grid companies in the PRC and based on past experience, management believes that no impairment allowance is necessary in respect of the past due balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral from customers.

In addition, the Group has gross amounts due from customers for contract work and other receivables in respect of the service concession arrangements. The Group does not obtain collateral from customers. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and gross amounts due from customers for contract work are set out in notes 14 and 16.

At 31 December 2016, trade and other receivables and gross amounts due from customers for contract work of the Group amounted to RMB3,026,178,000 (2015: RMB2,546,396,000), of which RMB265,475,000 (2015: RMB389,261,000) were due from the largest customer and RMB648,809,000 (2015: RMB914,962,000) were due from five largest customers in aggregate of the Group. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position. Since the parties to BOT and BT arrangements are local government authorities and power grid companies in the PRC, the Group considers the credit risk is low.

(b) Liquidity risk

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(b) Liquidity risk (Continued)

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

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

	Total contractual undiscounted cash flow					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but within 2 years	More than 2 years but within 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2016						
Trade and other payables	438,040	34,022	86,831	535,147	1,094,040	746,715
Loans and borrowings	743,770	443,346	1,087,476	1,250,094	3,524,686	2,622,545
	1,181,810	477,368	1,174,307	1,785,241	4,618,726	3,369,260
At 31 December 2015						
Trade and other payables	284,736	31,020	88,907	564,090	968,753	597,847
Loans and borrowings	442,887	448,220	819,580	555,268	2,265,955	1,898,657
	727,623	479,240	908,487	1,119,358	3,234,708	2,496,504

(c) Interest rate risk

The Group's interest rate risk arises primarily from the interest-bearing deposits with banks, restricted deposits, other receivables, gross amounts due from customers for contract work, trade payables and loans and borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in note 25(c) (i) below.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

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

	As at 31 December			
	2016		2015	
	Effective interest rate	Amount RMB'000	Effective interest rate	Amount RMB'000
Net fixed rate receivables				
Loans and borrowings	3.92%–5.77%	870,010	4.35%–5.38%	865,867
Trade payables	4.64%–8.51%	342,696	4.64%–8.51%	346,072
Less: Deposit with banks	1.55%–1.75%	(11,967)	1.40%	(30,000)
Restricted deposits	–	–	1.65%–3.00%	(15,000)
Gross amounts due from customers from contract work	1.52%–8.12%	(2,256,361)	1.50%–8.12%	(1,884,196)
Other receivables	1.52%–8.12%	(103,717)	0.74%–8.12%	(198,119)
		(1,159,339)		(915,376)
Net variable rate borrowings				
Loans and borrowings	3.92%–5.29%	1,752,535	2.89%–6.88%	1,032,790
Less: Cash at bank	0.35%	(523,406)	0.35%	(504,606)
Restricted deposits	0.35%	(46,192)	0.35%	(11,366)
		1,182,937		516,818
Total net payables/(receivables)		23,598		(398,558)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2016, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and retained profits by approximately RMB9,972,000 (2015: RMB4,054,000). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the annualised impact on the Group's interest expense or income that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to floating rate instruments which expose the Group to cash flow interest rate risk at the end of the reporting period. The analysis does not take into account exposure to fair value interest rate risk arising from fixed rate instruments as the Group does not hold any fixed rate instruments which are measured at fair value in the consolidated financial statements. The analysis has been performed on the same basis for 2015.

(d) Currency risk

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

(e) Fair values

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 2016.

(f) Estimation of fair value

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

(i) Gross amounts due from customers for contract work

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

(ii) Trade and other receivables

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

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

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

(f) Estimation of fair value (Continued)

(iii) Loans and borrowings and trade payables

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

26 COMMITMENTS

(a) The Group had outstanding purchase commitments in connection with the Group's construction contracts not provided for in the consolidated financial statements of RMB 683,500,000 at 31 December 2016 (2015: RMB302,397,000).

(b) The Group had outstanding capital commitment in connection with the capital contribution to the associate, Beijing Tian Neng Shen Chuang Environmental Protection Co., Ltd and Shenzhen Truvalue-Dynagreen Investment Partnership (limited partnership) not provided for in the consolidated financial statements of RMB284,000,000 as at 31 December 2015. There was no outstanding capital commitment in connection with the capital contribution as at 31 December 2016.

(c) Operating leases commitments

At 31 December 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 1 year	530	1,445

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

27 CONTINGENT LIABILITIES

As at 31 December 2016, the Company has issued financial guarantees to banks in respect of the banking facilities granted to certain subsidiaries. The directors do not consider it is probable that a claim will be made against the Company under the guarantees. The maximum liability of the Company as at 31 December 2016 under the guarantees issued is the facility drawn down by the subsidiaries of RMB1,538,446,000 (2015: RMB870,809,000).

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

28 MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Entrusted loan from an equity shareholder	200,000	100,000
Interest paid to equity shareholder	3,958	1,940
Loans from a fellow subsidiary	100,285	—
Management fee to Changzhou Zhengyuan Environmental Protection Resources Utilization Co., Ltd. ("**Changzhou Zhengyuan**" *)	1,000	1,000
Service fee to Changzhou Zhengyuan	1,164	1,550
Collection of slag processing fee on behalf of Changzhou Zhengyuan	2,500	2,500

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

(b) Balance with related parties

At 31 December 2016, the balance of loans from a fellow subsidiary was RMB 91,011,000 (2015: Nil).

(C) Corporate guarantee provided from the immediate holding company in respect of banking facilities granted to the Company amounted to RMB622,990,000 as at 31 December 2015 and 31 December 2016. In addition, the immediate holding company needs to fulfill some covenants as stated in note 24(e).

28 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management personnel remuneration

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

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Short-term employee benefits	11,048	8,774
Contributions to defined contribution retirement plans	286	205
Total	11,334	8,979

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

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

The related party transactions with equity shareholder and fellow subsidiary above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. However those transactions are exempt from the disclosure requirements in Chapter 14A.90 of the Hong Kong Listing Rules as they are financial assistance received by a listed issuer's Group from a connected person or commonly held entity, which are conducted on normal commercial terms and are not secured by the assets of the listed issuer's Group.

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

(Expressed in Renminbi unless otherwise indicated)

29 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2016 RMB'000	2015 RMB'000
Non-current assets		
Other property, plant and equipment	1,372	1,126
Intangible assets	166	143
Investments in subsidiaries	2,188,958	2,022,958
Investment in an associate	3,500	3,500
Other receivables	522,235	485,128
Deferred tax assets	202	311
	2,716,433	2,513,166
Current assets		
Inventories	21,847	7,650
Trade and other receivables	287,936	381,425
Restricted deposits	37,427	8,640
Cash and cash equivalents	107,329	165,713
Dividend receivables	11,000	—
	465,539	563,428
Current liabilities		
Loans and borrowings	577,698	296,813
Other payables and accruals	116,190	87,021
Current taxation	6,919	2,237
	700,807	386,071
Net current (liabilities)/assets	(235,268)	177,357
Total assets less current liabilities	2,481,165	2,690,523
Non-current liabilities		
Loans and borrowings	605,580	894,848
NET ASSETS	1,875,585	1,795,675
CAPITAL AND RESERVES		
Capital	1,045,000	1,045,000
Reserves	830,585	750,675
TOTAL EQUITY	1,875,585	1,795,675

(Expressed in Renminbi unless otherwise indicated)

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

The directors consider the immediate parent and ultimate controlling party as at 31 December 2015 and 2016 to be Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司) which was incorporated in PRC. This entity does not produce financial statements available for public use.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7, *Statement of cash flows: Disclosure initiative*	1 January 2017
Amendments to IAS 12, *Income taxes: Recognition of deferred tax assets for unrealised losses*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 9, Financial instruments

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement.*

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

— The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

— For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 15, Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements.

Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 1(q). Currently, revenue arising from construction contracts is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)

IFRS 16, Leases

As disclosed in note 1(n), the Group's leases are operating leases and the Group enters into these leases as the lessee.

IFRS 16 will affect the Group's accounting as a lessee of leases for properties and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26(c), as 31 December 2016 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB 530,000 for properties, the majority of which is payable within 1 year. The Group may elect to continue to recognise the rental expenses on a systematic basis over the lease term as the lease term for the Group's leases is mainly 12 months.

The Group will need to perform a more detailed analysis to determine the extent of the impact on adoption of IFRS 16.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.